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WORLD NEWS

Craxi plan to end Rome crisis

Italy's Socialist Party leader Bettino Craxi yesterday told President Cossiga that a compromise had been reached to end Italy's government crisis.

The deal, between the Socialists and the Christian Democrats, involves Mr Craxi continuing in office until next spring. A Christian Democrat will then take over until June 1988, when the present parliament ends.

A meeting of leaders of the five parties in the last coalition will discuss the form of the new government on Tuesday, and it is expected to go to parliament for approval between August 6 and 9. Page 2

Sikhs kill 14

A new wave of violence in India's Punjab state is feared after Sikh gunmen took Hindus from a bus, killing 14 of them and wounding eight. Page 3

50 charged over drugs

More than 50 people were charged with drugs and arms offences following a police raid in Brixton, south London.

Newspapers lose case

The Guardian and Observer newspapers lost a claim in the Appeal Court to remove a High Court ban on publishing allegations about MI5 made by former officer Peter Wright.

UK poverty grows

Government figures showed 8.8m people living on or below the poverty line, up from 5.9m in 1979. Page 4

US rich getting richer

About 0.5 per cent of US families owned 35 per cent of the country's wealth, up from 25 per cent 20 years ago, said a congressional committee.

Riviera forest fires

Fires destroyed homes and thousands of acres of forest and killed one person near Nice on the French Riviera. Arson is suspected. Page 2

Basques attack court

The French Basque separatist movement Iparretarrak said it carried out an attack on a Bayonne court house, near the Spanish border, in which a riot policeman was hurt. Page 2

Bush heads for Mideast

US Vice President George Bush was leaving last night for Israel, Jordan and Egypt, to reassert US influence in the area. Page 2

Thatcher accused

A "nod, wink or instruction" from Mrs Thatcher led to the controversial leaking of a confidential letter at the height of the Westland crisis, MP Tam Dalyell claimed. Page 3; Ghost in the machine, Page 9

Security cash sought

The Government is proposing that public funds be used to pay for anti-terrorist security arrangements at political party conferences.

Hunt for strangler

Detectives hunting the "Stockwell strangler," thought to have killed eight old people in London, asked French police for their report on the deaths of 32 old women in Paris.

New Zealand fight back

New Zealand, 5 for 2 at one stage, were 127 for 2 (Edgar 52 n.o., M. Crowe 52 n.o.) after two days of the first test at Lord's. England made 307 for 9 (Hadlee 6 for 80).

Not with a bang

East German scientists have developed a silent explosive, for use in demolition, the official ADN news agency said. Put in holes in stone, it expands to shatter the material.

BUSINESS SUMMARY

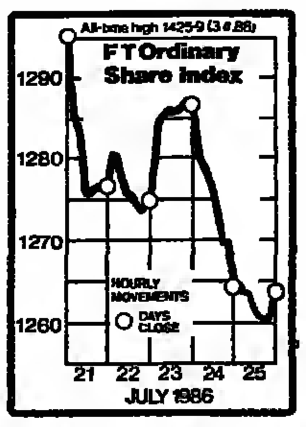
Ministers seek pledge by Guinness

THE Trade and Industry Department is in talks with Guinness which may lead to the company issuing a statement next week about its plans.

Ministers are pressing the brewing and retailing group to promise that it will fulfil undertakings, made during its takeover of Distillers, that it would preserve jobs in Scotland and base the combined group's headquarters there. Page 4

UK's visible trade balance remained in deficit last month as exports and imports fell, said the Trade and Industry Department. Back Page

EQUITIES trading was subdued, with investment confidence low at the end of a week dominated by political



uncertainty. The FT Ordinary Share Index closed 0.5 lower at 1,263.7, giving a fall of 31.7 over the past five sessions. Page 13

DOW JONES Industrial Average ended the second day 32.06 points higher after rising 18.42 yesterday to 1,810.04 on optimistic economic comments from the White House. Page 12

BRITISH GAS is to be privatised in the second half of November, said Energy Secretary Peter Walker. It will be the most ambitious sale of shares attempted. Page 4

SAUL STEINBERG, who bought out the public shareholders in his master company, Reliance insurance group, four years ago, plans to offer a third of the business to investors. The deal could earn him more than $70m (£47.2m). Back Page

JEFFERSON Smurfit Corporation, US arm of the Irish packaging group, is taking over Container Corporation of America in a $1.16bn (£782m) deal which will double its US business. Back Page

US semiconductor makers accused Japanese competitors of escalating their dumping of memory chips in the US in an attempt to undermine trade negotiations. Back Page

INLAND REVENUE staff resignations have soared over the past two years, disrupting business, says the organisation's annual report. Back Page

PERU suspended bank sales of US dollars until July 30 amid speculation that it might devalue its currency or impose fresh exchange controls.

BA said the lower cost of aviation fuel would be unlikely to lead to a cut in air fares. Page 6

PLASTICS processors were criticised by the National Economic Development Office for their poor return on capital. Page 5

NOMURA International, London arm of the Japanese securities group, appointed Sir Douglas Wass, former joint head of the Civil Service, as its non-executive chairman. Page 4

LLOYDS BANK reported first-half taxable earnings of £335m. The 27 per cent rise was in line with the bank's forecasts. Page 10; Lex, Back Page

BERRY TRUST rejected an £86m bid from Ensign Trust as "nonsensical." Page 10

More Commonwealth meetings envisaged on S Africa sanctions

BY MICHAEL HOLMAN IN LONDON AND ROBERT MAUTHNER IN PRETORIA

THE SEVEN Commonwealth leaders due to meet in London next month to discuss South Africa may hold a further round of talks in October if they fail to agree on new sanctions against South Africa.

Should Mrs Thatcher maintain her stand against fresh measures at this second meeting, an extraordinary session of the full Commonwealth is likely to take place, possibly later in October.

This timetable would give Mrs Thatcher the opportunity to lead the co-ordination of the Commonwealth's strategy with the European Community's South African peace mission, led by Sir Geoffrey Howe, the Foreign Secretary. He is due to report back to the community on the outcome of his mission by the end of September.

Equally important, it would help defuse the tension at the Commonwealth meeting of the heads of government of Australia, the Bahamas, Britain, Canada, India, Zambia and Zimbabwe, due to start on August 3.

Dr Kenneth Kaunda, President of Zambia, has threatened to leave the Commonwealth if Mrs Thatcher does not support a package of new measures against South Africa, drawn up by Commonwealth leaders at their summit in Nassau last October.

The US Administration has appointed a black man, Mr Terence Todman, to be ambassador to South Africa, according to press reports, Nancy Dunne writes from Washington. Mr Todman, ambassador to Denmark, is the most senior black in the foreign service.

The Administration has been seeking a black for the Pretoria post so as to send a message on apartheid and to block sanctions moves in Congress.

The Prime Minister is likely to insist that the community's mission should be allowed to run its course before she takes fresh action.

The other six participants in the meeting are expected to seek agreement, at least in principle, that the Nassau package of measures, possibly strengthened by a call for a ban on the import of South African coal and steel, should form the basis of a United Nations resolution making such sanctions mandatory. Australia, currently a member of the Security Council, is understood to be willing to propose such a resolution.

There is little evidence that Mrs Thatcher is prepared to make any significant concessions on sanctions before next month's meeting in London. She would, however, find her position more difficult to argue at a second meeting of the seven, given the growing likelihood that Sir Geoffrey's mission will end in failure.

The sequence of meetings could be disrupted by Nigeria, however. The military government of President Ibrahim Babangida, which initiated the boycott of the Commonwealth Games in Edinburgh, may press for an earlier resolution of the sanctions issue even though it will not be directly represented at the August meeting.

The White House announced yesterday that Dr Chester Crocker, the US Assistant Secretary of State for African Affairs, will visit London next week for consultations on South Africa policy with EEC leaders.

Britain's Foreign Secretary, now in South Africa on his second visit to the region, has already run into difficulties.

Neither President P W Botha of South Africa, whom Sir

Continued on Back Page

More multi-racial schools, Page 2

Building societies change to companies postponed

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Government has delayed by one year the date from which building societies will be able to convert from mutually owned societies into public limited companies.

The proposal is contained in the Building Societies Act, which yesterday received the Royal Assent and which gives societies powers to provide a range of consumer services. The measures in the act represent the first big change in building societies' structure for more than 100 years and most are due to take effect on January 1 1987.

Included in the act are measures enabling societies to make unsecured loans, offer second mortgages, provide estate agency services and issue cheque guarantee cards. Most societies will be fully occupied in responding to the new legislation.

In a Commons written reply, Mr Ian Stewart, Economic Secretary to the Treasury, said yesterday that the postponement until January 1988 of powers enabling societies to adopt company status was necessary because extensive preparation and consultation were still required before detailed regulations governing conversion could be made.

Mr Stewart also announced that in response to building society representations, a requirement that they should belong to an ombudsman scheme would not be enforced until July 1, 1987.

The act ensures that the societies' principal role remains the granting of mortgages but corporate status would offer further freedoms for societies to extend operations. Conversions would also give improved access to fresh capital sources such as the stock market and wholesale money markets.

The postponement reflects the Government's problems in framing the necessary regulations, which are widely regarded as being highly complex.

Although some societies yesterday greeted the 12-month delay with surprise, the practical effect is likely to be limited. That is because of obstacles facing societies wishing to drop their mutual status. In particular, the Government requires that a minimum 20 per cent of society members—the Halifax, the largest society, has over 11m members—should vote on the issue.

Only a few of the larger societies are known to be considering adopting corporate status, among them the Abbey National, the country's second largest society. Mr James Tyrrell, general manager finance, said the decision reflected the main difficulties associated with conversion but the act meant that Abbey would "have plenty of other things with which to occupy itself in 1987."

The Building Societies Association said the delay was not entirely unexpected, given the complex nature of the conversion proposals. Other new powers under the act would inevitably take priority.

Royal Assents close Commons session, Page 6; A little extra, Weekend IV.

Grand Metropolitan in agreed £14.2m Ruddle takeover bid

BY LISA WOOD

GRAND METROPOLITAN, whose Watney Mann and Truman subsidiary's beers were once the primary target of the Campaign for Real Ale pressure group, has made an agreed £14.2m bid for G. Ruddle, the Oakham, Leics, small brewer. Ruddle's beers enjoy cult status among real ale enthusiasts.

The bid, which is subject to Office of Fair Trading clearance, comes at a time when the position of the big brewers and their smaller competitors is again the subject of controversy.

Sir Gordon Borrie, Director General of Fair Trading, is known to be considering instigating a Monopolies and Mergers Commission inquiry into the tied house system and its implications for competition in the industry.

Camra yesterday called the proposed merger "deplorable."

Ruddle, which sold its tied estate of 38 public houses in 1978 to concentrate on the take-home trade, already sells its Ruddle's County draught ale in about 1,000 of Watney's 6,000 public houses after an agreement with the brewer in 1982.

Mr Tony Ruddle, chairman and managing director, said: "We are in a highly competitive market place. The necessity for strong brands is becoming more and more obvious.

"We have a strong brand, but we have not got the muscle for nationwide distribution. Watney will make our products available throughout their public estate and we will also widen distribution into the off-trade."

Some 70 per cent of Ruddle's ales, including Ruddles Best Bitter, is sold in supermarkets.

Ruddle's profit growth has been sluggish over the past few years. In the year to March 29 1986, pre-tax profits at £1.05m were only 2 per cent higher than the previous year.

Watney's main brand in the early 1970s, Red Barrel keg beer, came under strong attack from the real ale movement. In recent years the company has developed a large portfolio of lagers and foreign beers, such as Budweiser and cask-conditioned regional ales such as Webster's.

"The future belongs to those companies with a relatively small number of strong brands. Building brands, which is an expensive business, is very important in the industry," Watney said. "We think Ruddle's is a smashing brand and we have been looking at it since 1982 when we put it into a number of our houses."

Watney has an estimated 12.5 per cent share of the beer market while Ruddle's has about 0.2 per cent.

There are irrevocable undertakings to accept the bid from 54.6 per cent of Ruddle shareholders, including the Ruddle family. Mr Tony Ruddle will remain chairman and managing director of the business. Brewing will stay at Ruddle's Langham brewery at Oakham.

Grand Metropolitan is offering 300p nominal of unsecured loan notes for each Ruddle Ordinary share, with a 300p cash alternative. Ruddle's shares closed last night at 285p, up 98p. Grand Metropolitan shares were up 1p at 372p.

Britoil dividend halved in gloom over prospects

BY LUCY KELLAWAY

BRITOIL, the UK's largest independent oil company, upset shareholders yesterday by halving its interim dividend and issuing a grim statement about prospects for the rest of the year. Its shares tumbled 26p to 110p.

In the six months to the end of June, the company made net profits after tax of £34.5m, 62 per cent lower than the £91.4m in the same period last year. It warned: "If the present price of oil persists throughout the second half of the year, no profit will be made for that period."

Britoil is the first large oil company to publish first-half results showing the effect of the collapse in oil prices. While the fall in interim profits was no worse than analysts expected, the dividend cut from 4p to 2p and the prospect of second-half losses depressed the whole oil exploration sector on the stock market.

In the light of Britoil's results, the City is waiting with some trepidation for results from fellow independents, Enterprise Oil and Lasmo.

During the first half, the average sterling price Britoil received for its oil was £11.53 a barrel, almost exactly half the 1985 average of £22.71. The company warned that at such levels it might have to make considerable write-offs against existing North Sea exploration costs and overseas assets, which would be included in the full-year results.

Its exploration budget was also under review, it said. Further cuts beyond the 40 per cent reduction announced in March might be necessary. Several projects expected then to go ahead were likely to be delayed.

In spite of a modest rise in oil and gas production, turnover for the six months fell to £546.1m. from £968.1m, while the fall in pre-tax profits was even greater, down 71 per cent to £105.1m.

The reduction was almost entirely because of the fall in oil prices and occurred after a lower write-off of exploration costs of £78.4m (£83.1m) and after foreign exchange gains of £3.1m (loss £9.6m).

As a result of the drop in operating profits, provision for petroleum revenue taxes fell from £197.7m last year to £16.7m, while corporation tax fell from £75.6m to £53.9m.

Cash-flow also deteriorated sharply to a deficit of £123.2m (£66.4m) which was funded by short-term borrowings.

The cut in Britoil's exploration budget was not reflected in its activity during the first half. The company participated in 21 wells, two more than during the first six months of last year, of which 20 were offshore and one onshore. In the first round of UK onshore licensing, Britoil was awarded 19 blocks in four licences, while further licences were awarded overseas.

Development on the Britoil-operated Clyde field in the North Sea continued although the project, like all others in the North Sea, is not profitable

Visible trade deficit and Lex, Back Page

Reagan offers Moscow delay of SDI system

BY NANCY DUNNE IN WASHINGTON

PRESIDENT Ronald Reagan of the US has told the Soviet Union that he is willing to delay the Strategic Defence Initiative for five to seven years.

This offer was made in a written response to recent proposals by Mr Mikhail Gorbachev, the Soviet leader, on arms control.

The White House said the President's letter was private but US Administration sources said the offer was conditional on an agreement that the SDI system, the so-called Star Wars, could be deployed after an agreed date.

Mr Reagan said yesterday he would not give up his commitment to a system of defence against missiles but implied that the US would share it with the rest of the world.

The US State Department also announced yesterday that Mr Alexander Bessmertnykh, the Soviet Deputy Foreign Minister, would be in Washington for talks this weekend and would meet Mr George Shultz, the Secretary of State, on Monday. The announcement raised hopes that a second Reagan-Gorbachev meeting would occur this year.

The White House said the US was still committed to seek significant reductions in offensive nuclear weapons. An "energetic research effort" to find a missile defence system is "an essential part of the task of reducing the effectiveness of and the very need for, these offensive weapons."

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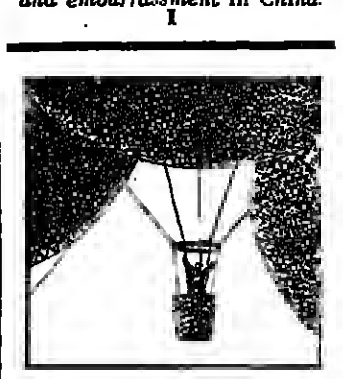
WEEKEND FT

CHINA

The Cultural Revolution has left a sense of national shame and embarrassment in China. I



INVESTMENT

Preparing for the Trustee Savings Bank flotation IV

WRINKLES

Time leaves its ravages on all of us. How To Spend It looks at creams and potions which are said to limit the damage XIII

SPORT

Shohrastoni bids for a place in racing history at Ascot today XVI

MARKETS

DOLLAR	
New York:	
DM 2.1525 (2.138)	
FFr 6.9625 (6.9065)	
SFr 1.7355 (1.725)	
Y158.35 (156.55)	
London:	
DM 2.145 (2.1365)	
FFr 6.959 (6.905)	
SFr 1.732 (1.724)	
Y157.5 (156.6)	
Dollar index 113.4 (112.7)	
Tokyo close Y157.1	
US CLOSING RATES	
Fed Funds 6⅞% (6⅞)	
3-month Treasury Bills: yield: 5.82%	
Long Bond: 97⅞ (95⅞) yield: 7.42% (7.39)	
GOLD	
New York: Comex August $348.2 ($349.3)	
London: $349.75 ($348.75)	

STERLING	
New York $1.4785 (1.4915)	
London $1.483 (1.494)	
DM 3.18 (3.1925)	
FFr 10.29 (10.315)	
SFr 2.5675 (2.575)	
Y233.75 (234.0)	
Sterling index 73.0 (72.8)	
LONDON MONEY	
3-month interbank: closing rate 9⅞% (same)	
NORTH SEA OIL	
Brent 15-day August $8.85 ($8.95)	
STOCK INDICES	
FT Ord 1,263.7 (−0.5)	
FT-A All Share 767.0 (−0.4%)	
FT-SE 100 1,543.8 (−1.9)	
FT-A long gilt yield index: High coupon 9.52 (9.54)	
New York: DJ Ind Av 1,810.04 (+18.42)	
Tokyo: Nikkei 18,050.59 (+24.33)	

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Bundesbank rejects US plea on interest rates

BY DAVID BROWN IN FRANKFURT

THE BUNDESBANK yesterday rejected the latest US plea that West Germany lower its interest rates to help support world growth and reaffirmed its tough stand against a relaxation of its monetary policy.

Mr Helmut Schlesinger, the central bank's vice-president, insisted yesterday that West Germany has already fulfilled its international responsibility on the growth side, but has an obligation to hold the line on inflation.

He noted that German interest rates are near a record low in both an international and historical perspective, the second quarter growth rate at 3-3½ per cent is strong, and domestic liquidity is substantial.

Mr Schlesinger also suggested the Bundesbank would not be intimidated by warnings emanating from Washington that the US is prepared to drive down the dollar, and thus further cut into German and Japanese export competitiveness, to force a rates reduction.

He cited US Federal Reserve chairman Paul Volcker's warning this week that "self-reinforcing cascading depreciation of a nation's currency . . . is not in that nation's interest or that of its trading partners."

"I could not have put it better myself," Mr Schlesinger said.

Mr Schlesinger, who is considered a hard-line advocate of cautious monetary and fiscal policies, also argued that West Germany has a responsibility to limit domestic inflation and thus discourage inflationary tendencies elsewhere, not least within the European Community.

The present surge in money supply, up 7 per cent in July, will already produce a rise in inflation, but not until 1987 and 1988. The drop in oil prices and the dollar rate and thus import costs have produced the present price stability.

In this context, further stimulatory monetary measures by West Germany to follow the July 10 half-point cut in the US discount rate "could not be viewed as positive."

However, Mr Schlesinger added, an important shift away from export-driven growth — towards domestic demand-stimulated expansion is already firmly underway.

He acknowledged that the revaluation of the D-Mark against the US dollar had been sharp (from DM 3.47 early last year to under DM 2.15 presently), and had taken a toll on West German exports.

But the change in real terms, taking into account both shifts against other currencies such as the Yen and Swiss Franc, and the stability of German prices, was "not spectacular."

It is nonetheless thought that a very sharp fall in the US dollar rate during the course of the summer may compell the Bundesbank to re-think its policy regarding a discount rate cut after its summer recess which ends in mid-August.

Compromise reached in Italian crisis

By Alan Friedman in Rome

MR BETTINO CRAXI, who resigned at Italy's Prime Minister last month, last night informed President Francesco Cossiga, that a compromise has been reached which will end Italy's month-long Government crisis.

The compromise between Mr Craxi's Socialist Party and the Christian Democrats will allow Mr Craxi to resume office as Prime Minister until next spring when he will step down in favour of a Christian Democrat Premier.

Mr Craxi resigned on June 27 after a parliamentary defeat. His five-party coalition Government, which will now be re-constructed, had lasted nearly three years, making it the longest surviving Italian Government since World War II.

The leaders of the five parties of the fallen coalition —the Christian Democrats, Socialists, Republicans, Liberals and Social Democrats—will meet on Tuesday to discuss the form of the new Government.

The party leaders will discuss the possibility of a minor Cabinet reshuffle as well as the programme of the new Government.

Assuming that Tuesday's "summit" among party leaders goes well, the new Government would then be presented to parliament, which is expected to vote its final approval between August 6 and August 9.

Under the compromise, Mr Craxi would resume office until his Socialist Party Congress which is expected to take place next March.

He could then be succeeded by Mr Giulio Andreotti, the veteran Christian Democrat whose own efforts to form a Government collapsed last Monday in the face of Socialist opposition to the idea of a Christian Democrat Prime Minister.

Moroccan embassy hit

Demonstrators yesterday smashed their way into the Moroccan embassy in west Beirut and ransacked it in protest against talks in Morocco between King Hassan and Israeli Prime Minister Shimon Peres, Reuter reports from Beirut.

Arab League chief Chedli Klibi called yesterday for an urgent Arab summit following the Israeli-Morocco talks.

Mexico joins Gatt

Mexico yesterday signed the General Agreement on Tariffs and Trade, becoming the 92nd member of the world free trade group, Reuter reports from Geneva. The country will participate fully in the new round of world trade negotiations due to be started by Gatt in September.

Marcos cash claim

The Philippines Government released documents yesterday showing that former President Ferdinand Marcos and his wife, Imelda, held deposits of at least $229m (£154m) in Swiss and other bank accounts, reports AP from Manila.

The Government has alleged that the Marcoses and their associates plundered the country of as much as $10bn over the last 20 years.

Brazil resists IMF

Brazil is still opposed to substantive involvement by the International Monetary Fund in policing the country's economy, central bank president Fernao Bracher said after signing an interim $31bn (£20.9bn) financing package with a group of international banks, Reuter reports.

Paul Betts reports from Paris on the scaling down of a socialist project

Bastille opera plan falls foul of Chirac

THE BASTILLE, scene of the start of the French Revolution, has again become the stage of a new political battle. This time it does not involve the storming of the famous prison fortress but the construction of a lavish modern music and opera centre incorporating all the latest theatre and construction technologies at the Place de la Bastille in Paris.

The new opera house was part of a programme of ambitious new public works in Paris launched by the previous Socialist Government. But much to the dismay of President Francois Mitterrand, the new opera is likely to turn into an unfinished symphony.

The right-wing Government of Mr Jacques Chirac, the neo-Gaullist Prime Minister who is also mayor of Paris, has decided that the Bastille will not be the site of a new Paris opera.

Instead, the Government plans to scale down the Socialist project by building at the Bastille a music auditorium with 2,700 seats.

The original plan was to construct a new opera house with a high-tech concert hall next door. This concert hall would have included all the latest technologies to make it adaptable to many different artistic performances.

The overall complex, which would have cost the Government FFr 2.2bn (£183m) to complete, would also have included workshops to construct stage sets and rehearsal rooms.

The new Bastille opera complex was designed to become the main focus of musical activity in Paris rather like the Lincoln Centre in New York or the South Bank complex in London.

Paris's existing opera house—the monumental Palais Garnier — would have eventually seen its role relegated to the staging of ballet and concerts.

The right was unable to cancel the entire controversial project because already more than FFr 700m had been spent when it returned to power after the March 16 parliamentary elections.

But the future of the new opera complex has also divided ministers and voters on the right. Mr Jacques Chirac finally tried to put an end to the debate this week by stating that the Bastille would not house a new opera but only an auditorium for concerts and ballets.

Mr Chirac: bid to end debate

Although the new auditorium would probably be able to stage one or two small operas a year, the Paris opera as such would stay at the ornate Palais Garnier.

Mr Francois Leotard, Culture and Communications Minister, who at one stage had suggested that the Bastille would maintain its original operatic vocation but was forced to climb down by Mr Chirac, is now due to announce the final government plans for the Bastille project by the end of this month.

Mr Denis Baudouin, Mr Chirac's spokesman, confirmed this week that the Government would not build a second opera house at the Bastille. The cost of financing a second opera troupe, an orchestra and building the necessary stage facilities were far too high, especially at a time of general budgetary restraint.

He added that a decision on the high-tech experimental concert hall next to the 2,700-seat auditorium would be taken soon. But the Government has already decided not to build the workshops included in the original Socialist project.

The Socialists, like the former culture minister Mr Jack Lang, and other critics of the government's decision over the new opera house, argue that Paris could now lose out as a major international music centre.

The Bastille project, they claim, was the last chance for Paris to build a modern facility such as other major capitals have already constructed.

At the same time, they also argue that the Palais Garnier, for all its gilding and impeccable acoustics, has become out of date and extremely costly to run.

The old opera house is heavily subsidised. Although seats are exorbitantly priced, the state subsidies still total about FFr 700 per spectator.

The Palais Garnier is also regarded as technically inadequate and with 1,900 seats of which 500 have poor vision, too small.

Even if some FFr 700m is eventually spent to overhaul the opera house built in the last century, its critics say it will not resolve its basic structural problems.

French court house attacked

BY PAUL BETTS

THE French Basque separatist movement Iparretarrak claimed responsibility yesterday for the attack on the court house of Bayonne, in south-west France near the Spanish border, in which a French riot policeman was injured.

Extremists threw a grenade at the back of the Bayonne court house and machine-gunned a riot police van early yesterday, injuring a policeman in the arm and eyes. Another grenade was later found in a car park near the court house and close to a local branch of the Crédit Lyonnais bank.

Security forces were yesterday trying to verify the authenticity of the claims by the French Basque separatist movement. But the attack on the Bayonne court house appears linked to the recent expulsion by the French Government of a number of Spanish Basque refugees suspected of playing a major role in the Spanish Basque Eta separatist organisation.

Mr Jacques Chirac, the French Prime Minister, pledged this week that the French Government would collaborate with Madrid by not allowing Spanish terrorists to take refuge in France. Mr Chirac acknowledged that there was a risk of retaliation by extremists but that his government would make no compromises in its efforts to combat terrorism.

The Spanish Government has welcomed the French Government's firm approach against Basque extremists and its collaboration pledges following the Eta grenade attack on the Defence Ministry in Madrid last Monday and the car bomb explosion in the Spanish capital the week before which killed 10 policemen.

Cote d'Azur fire could be arson, say police

BY OUR PARIS STAFF

MORE THAN 2,000 firemen and soldiers, backed by fire-fighting aircraft were yesterday still attempting to extinguish a huge forest fire which has caused major damage to one of the most famous and scenic parts of the Cote d'Azur between Nice and the principality of Monaco.

One person died, more than 1,500 had to be evacuated during the night and some 5,000 hectares of pine forest were destroyed by the blaze.

The fire, which destroyed several villas and threatened many small towns including the village of Eze, spread rapidly on Thursday night because of the strong Mistral wind.

Although the Mistral died down yesterday, fire fighters were still trying to put out fires around the village of Eze where hotels and holiday villas were evacuated. The authorities suggested yesterday that the origins of the fire could be criminal.

So far this year, about 19,000 hectares of forest have been destroyed by fire in France.

Austrian Vice Chancellor calls off protest trip

BY PETER BRUCE IN BONN

THE AUSTRIAN Vice Chancellor, Mr Norbert Steger, last night cancelled plans to attend an anti-nuclear demonstration in Bavaria today following a blazing row over the visit between Mr Hans Dietrich Genscher, the West German Foreign Minister, and the powerful Bavarian premier, Mr Franz Josef Strauss.

Mr Genscher telexed the Bavarian authorities in Munich yesterday morning, suggesting they were planning to try to prevent Mr Steger entering the country to join a protest at plans to build a nuclear reprocessing plant at Wackersdorf. He warned that such a move—possible because the Bavarians employ their own border police—could harm relations between Bonn and Vienna.

In a reply to Bonn, Mr Strauss accused Mr Genscher of being dishonest, claiming he had never intended to stop Mr Steger entering Bavaria. Bavarian Interior Ministry officials had merely been trying to establish what status Mr Steger would have in Bavaria, he claimed. The day's drama marked a significant worsening of a dispute between Austria and the Bavarian authorities over Wackersdorf, which Munich is determined to see built.

The deepening acrimony has led Munich to start complaining about Austrian aircraft overflying "Bavarian" airspace as they land at Salzburg airport. Aircraft have been doing this for nearly 30 years without official agreement.

During his recent election campaign Dr Kurt Waldheim, the Austrian Chancellor, wrote to Mr Strauss expressing doubts about the safety of the Wackersdorf plant, which would be only 130 km from the Austrian border, and asking him to reconsider his plans.

Earlier this week, Mr Strauss replied tartly, calling the Austrian leader's original telex an affront.

Mr Genscher, who is due for talks about Wackersdorf with his Austrian opposite number, Mr Peter Jankowitz, today, has had to remind Mr Strauss that West German foreign policy is made in Bonn, not Munich. "We are responsible for foreign policy, no-one else," he said yesterday, without actually naming Mr Strauss.

Hopes for Franco-German helicopter project rise

BY PAUL BETTS IN PARIS

PROSPECTS OF the troubled Franco-German helicopter project were boosted yesterday after a meeting in Paris between Mr André Giraud, French Defence Minister, and Mr Manfred Woerner, his West German counterpart.

The meeting had been regarded as crucial for the future of the proposed helicopter, due to come into service by 1993. The project had been on the verge of collapse after Paris threatened last May to drop it and launch its own helicopter project.

The two countries agreed yesterday to launch two separate joint technical studies to iron out the main difficulties holding up the project, under discussion since the late 1970s.

The first study will try to work out a compromise over the helicopter's infra-red night-flying and weapon sighting system. The other will try to resolve differences over the engine and piloting.

S. Africa agrees to more non-racial private schools

BY BERNARD SIMON IN JOHANNESBURG

THE SOUTH AFRICAN Government has breached a key tenet of its racially segregated education policy by agreeing to the establishment of more non-racial private schools.

After working behind the scenes for the past five years to set up the schools, the New Era Schools Trust (NEST), a private group, announced yesterday that the first school will open near Durban next January, followed by others in 1988 in the Eastern Cape, between Johannesburg and Pretoria, and in the Cape Town area.

The first two schools will be financed entirely by two South African mining houses, Anglo-American and Johannesburg Consolidated Investments. NEST is seeking financial support from other companies, both local and foreign.

NEST's director, Mr Deane Yates, who founded a multiracial school in Botswana in the 1970s, said the schools will be located in different parts of the country to have the greatest possible effect on society at large.

'Our goal is to show people in this country that the new South Africa can be born in a peaceful, evolutionary way," he declared. Teachers and pupils will be selected on a non-racial basis. Each school will have 300 pupils.

Although many private schools in South Africa already admit blacks, they are all classified by the government as "white" schools. Regulations expected to be promulgated within the next month or two will allow the establishment of mixed institutions for the first time.

Members of NEST met South African cabinet ministers on three occasions to discuss their plans, but most negotiations were carried out through intermediaries.

Bush begins 12-day Mideast trip

By Nancy Dunne in Washington

MR GEORGE BUSH, the US Vice President, was scheduled to leave last night for a 12-day trip to Israel, Jordan and Egypt, in a low-key attempt to reassert US leadership in the area and to re-establish his own credentials at statesmanship.

Administration spokesmen are portraying this trip as a "symbolic gesture" signalling American interest in peace. Still, he will carry no new initiatives, and, according to a State Department official, he will not, as has been speculated, make a side foray to Syria.

The Reagan Administration last year backed away from high-profile peace efforts in the Middle East, after a series of frustrating setbacks. Mr Bush will be the first senior US official to visit Israel and its two Arab neighbours since May 1985.

Mr Bush may announce a new package of economic aid for Egypt.

White House boosts 1987 growth forecast

THE US Government, in a preliminary review of the nation's economy at mid-year, has trimmed its 1986 growth estimate but substantially boosted projections for 1987 economic activity, AP reports from Washington.

The forecast for growth this year, as measured by the Gross National Product, was trimmed to 2.6 per cent, down from the February estimate of 3.4 per cent. For 1987, the Administration is projecting an annual rate of 4.5 per cent.

Argentina to reform economy 'this year'

BY TIM COONE IN BUENOS AIRES

IMPORTANT structural changes are to be made in the Argentinian economy before the end of the year, according to Mr Jose Louis Machinea, the country's Deputy Economy Minister.

Speaking at an international gathering of economists in northern Argentina this week, he said: "We must launch some kind of structural reform before the end of the year. Otherwise we shall have problems, not immediately but in the medium term."

The envisaged changes include a speeding up of the privatisation of state sector companies, capitalisation of the foreign debt to promote foreign investment, modifications to the systems of customs tariffs to open up the economy to greater trade and competition, expansion of incentives for exports and investments, and a scaling down of public sector employment.

In the latter case a voluntary redundancy scheme is under study. Public sector employees, although badly paid, are guaranteed security of employment in Argentina.

The proposed measures are contained in existing government plans as a second phase of the so-called Austral Plan, which was introduced in June 1985.

The first phase of the plan, the successful halting of runaway inflation, is running into difficulties through trade union opposition, the re-emergence of a monthly inflation rate of over 5 per cent and a continuing lack of interest in investment by the private sector.

Disputes between the Central Bank and the Economy Ministry over monetary policy have failed to rein in monetary growth adequately, while divisions within the ruling Radical Party, have set back privatisation plans for well over six months.

China told of Hong Kong's concern over nuclear plant

BRITAIN has passed on to the Chinese leaders the concerns of Hong Kong residents over the safety of a nuclear power plant to be built at Daya Bay near the British territory, Reuter reports from Peking.

The ambassadors of Britain and France, which will be involved in the construction of the plant, met Chinese Vice-Premier Li Peng early last week to discuss the rise in anti-nuclear feeling in Hong Kong.

"All the three countries are taking into account the reasonable concerns of the people of Hong Kong about the safety aspects of the Daya Bay project," one UK diplomat said.

"Recent calls on Vice-Premier Li Peng were part of the process of consultation about what measures were necessary to allay that concern."

Diplomats said the three countries were looking at ways to improve publicity on steps being taken to ensure the safety of the plant during construction and use.

Japan to act on yen rise

BY YOKO SHIBATA IN TOKYO

JAPAN plans to act as soon as possible to stem the appreciation of the yen, Mr Yoshihiko Yoshino, Vice-Finance Minister, said yesterday.

The Ministry of Finance is considering measures other than intervention in the foreign exchange markets at the behest of the new Finance Minister, Mr Kiichi Miyazawa.

The minister, appointed last Tuesday, has already instructed officials to ease regulations on the outflow of capital as part of the effort to curb the yen's rise.

This relaxation, which could occur as early as next month, may involve allowing the existing ceiling on foreign exchange positions to be set aside by banks wishing to convert yen into other currencies to buy foreign bonds and stocks.

News that the ministry was considering such a move boosted US Treasury bond prices in Tokyo yesterday.

David Gardner reports on the aftermath of an election that could affect a country's stability

Mexican leaders play down the challenge of Chihuahua

MEXICO'S ruling Institutional Revolutionary Party (PRI) is exuding quiet confidence that it is winning the political confrontation provoked by the results of the recent elections in the northern state of Chihuahua. This is despite continuing vigorous protests by Opposition parties over ballot rigging in the governorship and municipal elections of July 6.

The opposition National Action Party (Pan), the Catholic Church, a broad swathe of small to medium sized (but not big) business, and the independent Left, have now resorted to civil disobedience in the state to try to have the result annulled.

So far they have brought traffic to a standstill in the major towns; blockaded the main state highways and border crossings and partially shut down businesses. The church's attempt to cancel all religious services last Sunday was only rescinded on orders from the Pope. Pro-PRI businesses and media are also being boycotted.

The PRI's optimism that it can stave off the challenge is only partly based on senior officials' conviction that the ruling party won more votes than its main opponent.

First, both the Government and the PRI feel legally fireproof. Whether or not ballot rigging took place, they are protected by a law which makes it extremely difficult to prove fraud. They are convinced, with flow of information for most practical purposes is regulated by the Government.

According to a senior Minister directly involved in the controversy," as far as I'm concerned, the Chihuahua elections were exceptionally tranquil and clean. A colleague admitted to

In the middle of Mexico's worst economic and political crisis for half a century, voting turnout in Chihuahua was unusually high at 50 per cent, yet the Government received the backing of only three out of every 10 voters.

reason, that the PAN is not well enough organised to substantiate its claims of widespread irregularities.

Second, there has so far been no bloodshed in Chihuahua, despite the passions aroused by the elections. Although opposition to the vote fraud has been more broad based and more aggressive than ever before, it is taking place within only one state, in a country where the "minor irregularities," but referred to the electoral law which requires that irregularities be proven in 20 per cent of voting stations in order for the results to be annulled.

Correspondents covering the election witnessed overt fraud and/or irregularities in about a dozen of the nearly 1,500 polling booths, mostly stuffing of ballot boxes and the exclusion or impersonation of legally accredited Pan vote monitors.

The Committee for Democratic Struggle (Coinde), a group of largely proPan civic organisations, monitored polling in Cindad Juarez, the state's largest city, with a task force of 150 observers, 20 video teams, 30 photographers and a ham radio network to intercept army and police radio transmissions. It claimed 166 individual transgressions, affecting exactly a third of polling booths. But the vote monitoring effort has so far substantiated only marginally more overt fraud than correspondents were able to, while some allegations of malpractice appeared to be baseless.

In last year's parliamentary elections in Chihuahua, the Pan was able to substantiate its own major victories in the state with help from the left wing PSUM coalition built round the old Communist Party, whose vote tallies coincided with those of Pan.

This year the PRI-dominated electoral authorities denied vote monitor credentials to virtually all the PSUM's representatives, allegedly because the coalition filed for them too late. Representatives of the PRI's three satellite parties were numerous however.

The ruling party in Chihuahua, faced with the Opposition threat to make the state ungovernable, is defensive. The governor-elect, former deputy Attorney General Fernando Baeza, said in an interview before the election that he would under no circumstances allow fraud or "supplant the will of the people." After the polls he allowed there had been irregularities, but not to the degree of besmirching his victory.

The opposition's effort to spread the protests to other parts of the country is being hampered by a majority of the national Press, where journalists' meagre salaries are augmented by substantial extra party and Government payments. Both state television and the private TV monopoly have stuck virtually verbatim to the regime's version of events.

The Chihuahua election has implications for the PRI's credibility and the future stability of a regime, which has been in power for 57 years. In the highly-charged atmosphere of Chihuahua turnout was unusually high at 50 per cent, yet by its own calculations the Government got the votes of only three out of every ten voters registered.

In the middle of the worst economic and financial crisis for half a century the PRI Government may reflect that this cannot be considered a success.

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Punjab terrorists kill 14 Hindus in bus attack

BY K. K. SHARMA IN NEW DELHI

IN THEIR most provocative act since taking to violence in the north-western Indian state of Punjab four years ago, Sikh terrorists yesterday killed 14 Hindus and seriously injured eight others near Mukhtsar town in Faridkot district.

The 22 Hindus were singled out from 60 passengers travelling in a de luxe bus to New Delhi early in the morning. The terrorists shot them but spared the Sikhs and Hindu women and children on the bus.

The murders sent a wave of indignation all over the country and all parties, including the ruling moderate Sikh Akali Party in Punjab and Mr Rajiv Gandhi's Congress-I, have called a protest statewide general strike today.

The killings came after a fortnight's lull in violence in Punjab during which the moderate Sikh chief minister, Mr Surjit Singh Barnala, launched a counter-offensive against the terrorists. Yesterday's deliberate killings show that his claims to have smashed terrorist hideouts were hollow. A fresh wave of violence is feared.

Mr Gandhi is under pressure to take action to improve law and order enforcement in Punjab. The extremists obviously wanted to provoke him to act since the first communal killings in Punjab were carried out in a similar manner. That was in October 1983.

At that time, the then prime minister, Mrs Indira Gandhi, promptly dismissed the state government formed by her own party after Sikh terrorists pulled out six Hindu passengers from a bus and killed them.

Mr Gandhi is in a dilemma over yesterday's murders since he cannot easily dismiss Mr Barnala's moderate government on which he has pinned his hopes for peace in Punjab.

A peace accord was signed with the moderate Akali Party just over a year ago. Although there is a stalemate over its implementation, particularly over the transfer of the garden city of Chandigarh as Punjab's exclusive capital, Mr Gandhi still hopes Mr Barnala will carry out the terms of the accord.

The terrorists have now demonstrated that they can still strike at will and continue to create serious problems for both the central and state governments.

Although Mr Barnala's cabinet yesterday held what was described as an "emergency session," there is no sign yet that a new strategy to check terrorism has been worked out.

Australia seeks support in wheat row with US

AUSTRALIA yesterday urged Canada and Argentina to join in fighting proposed subsidised wheat sales by the US, Reuter reports from Sydney.

Mr Bob Hawke, Australia's Prime Minister, said the two wheat exporters should call on the Reagan Administration to stop the planned sales to the Soviet Union and China.

Mr Hawke warned Mr George Shultz, US Secretary of State, on Thursday night that the wheat deal, already approved by the Senate, could jeopardise relations between Washington and Canberra.

The wheat sales under the US Export Enhancement Programme (EEP) would cost Australia A$1bn (£408m), according to a spokesman in Canberra.

Mr Hawke told Canada's Prime Minister, Mr Brian Mulroney, that Australia's efforts would be helped if Ottawa could make urgent representations to the Reagan Administration at the highest levels, the spokesman added.

"Mr Mulroney indicated that Canada, too, was deeply concerned about the proposed extension of the EEP," he said.

Mr Hawke also sent a message to President Raul Alfonsin of Argentina, asking him to make similar approaches.

Australia and Argentina agreed in talks in Sydney earlier this month that they should work together to stop subsidised US sales in their traditional markets.

Mr Hawke told Mr Shultz the sales would, in effect, subsidise Communist régimes at the expense of Australia.

He said Australia could no longer oppose Soviet fishing agreements with South Pacific nations if the US extended wheat exports to the Soviet Union and China through its subsidy programme.

Both Canberra and Washington have said joint defence facilities in Australia would not be a bargaining chip in the trade dispute.

This followed an outburst from Australia's Treasurer, Mr Paul Keating, who suggested that the future of the bases was negotiable.

Twelve farm exporters to fight import curbs

BY PETER UNGPHAKORN IN BANGKOK

TWELVE agricultural exporting countries, meeting in Thailand, have agreed to co-ordinate their stand against export subsidies and import restrictions.

Thai and other officials say this is the first time that countries suffering the impact of the farm policies of the US, the EEC and Japan have got together to tackle the problem.

The group is pressing for agriculture to be given priority in the proposed new Gatt round, due to be launched this September at a ministerial meeting in Punta del Este, Uruguay.

Senior officials representing Argentina, Australia, Brazil, Canada, Chile, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay, cancelled an afternoon session of talks, and approved a joint communique.

This unity has been achieved by avoiding any discussions on other topics proposed for the new Gatt round, such as services, intellectual property, and investment. Most of the countries attending this three-day meeting support either of two draft declarations being proposed for the Gatt meeting.

Brazil is proposing a draft which would limit the new round strictly to the trade liberalisation of goods, including the controversial question of textiles and clothing. It is supported by Argentina and a number of other countries not represented here, notably India.

Australia, Chile, Hungary, Thailand and Uruguay support an alternative proposed by Colombia and Switzerland, which would include talks on services, intellectual property and investment in the new round.

Although these differences did not arise in the meeting here, officials say related differences were touched on briefly.

Some countries such as Australia and Chile regard the US as a potential ally in putting pressure on the Europeans to liberalise the Common Agricultural Policy.

This would mean bowing to US pressure to discuss services and other non-goods trading. The Brazilians warn that this could divert attention from agriculture.

Wrong decisions on the make-up of a coalition could lead to a coup, writes **Chris Sherwell**

Thai wheeler-dealers face critical test after election

FOR SEVERAL tense days next week, a handful of men—a revered King, a silver-haired bachelor known as "Pa" and some wheeler-dealer politicians and powerful army generals—will lock horns to determine the political future of Thailand.

They will decide the make-up of a new coalition government following tomorrow's general election. But they will need their wits about them, because an unsatisfactory outcome could lead to a coup.

Thailand's 50m people, 95 per cent of them Buddhist, 80 per cent living in rural areas, will probably show little interest. In the 54 years since the country was an absolute monarchy, they have seen 13 constitutions, 16 coups, 16 elections and some 42 governments.

This year, as ever, it is difficult to escape the feeling that a clutch of wealthy families, with powerful interests weaving through the palace, the military, the parties and the bureaucracy, will ensure that the country's politics remain even more arcane than Italy's.

But there are signs that these traditional oligarchies are finding it less easy to exercise untrammelled power. To some people, the fierce and expensive 11-week campaign, in which a record 3,813 candidates from 16 parties are vying for 347 seats, marks a significant step on Thailand's long road to parliamentary democracy.

Its allies in South-East Asia and its foes in neighbouring communist Indo-China are watching developments closely. So are the US, the Soviet Union and China, and key trading partners like Japan and the European Community.

Thailand, after all, is the region's only true "front line" state. Soviet-backed Vietnam so dominates Laos and Kampuchea that they no longer serve adequately as buffer states, while incursions by Hanoi's troops on to Thai soil have become worryingly regular. Moscow's use of Vietnamese bases at Da Nang and Cam Ranh Bay has meanwhile enhanced its capacity to project its power in South-East Asia.

The US, for its part, has a security pact with Thailand, wants to stockpile weapons there and is selling sophisticated F-16A jets to the military. China, also ready to counter Soviet expansion, has ended its support for Thai communists and, along with at least one South-East Asian country, funnels arms to guerrillas fighting Vietnamese troops occupying Kampuchea.

In all this, Thailand has retained its independent status, just as it skilfully avoided ever being colonised. Likewise it uses its abundant natural resources to strengthen its economic muscle in relation to Japan, the US and the EEC. Thailand is the world's largest rice exporter, and produces vast quantities of tin, rubber, tapioca, maize, natural gas—and opium. Low labour costs mean it is also becoming an important exporter of garments and electronic components.

Though 1985 and 1986 will see the lowest consecutive two years of expansion since the 1960s, gross domestic product will increase by more than 4 per cent this year after a similar rise last year—significantly better than Thailand's increasingly troubled Asean partners in the Philippines, Singapore, Indonesia and Malaysia.

At the heart of Thailand's intricate political web is General Prem Tinsulanonda, 65, a former army chief whose usually lengthy tenure as Prime Minister since 1980 has raised hopes for a longer-term "civilianisation" of the country's politics.

Popularly known as "Pa" and seemingly always smiling, he has never been elected to parliament, is a member of no party and has survived two coup attempts since 1985, thanks to the critical backing of the King and key segments of the army.

Rivals for power—Thai Prime Minister Gen Prem Tinsulanonda (right) and Gen Arthit Kamlang-ek, supreme military commander

It says something about the complexities of Thailand that the leader of one of the four parties in Gen Prem's coalition, who was clearly implicated in last September's abortive coup and put on trial, is currently free to campaign for a seat in parliament. Other candidates face criminal charges, and they too hope electoral success will bring invulnerability.

It is also significant that, in tomorrow's election, turnout will be only 50-60 per cent, that many people will vote for personalities who can help them rather than for ill-defined policies, and that vote-buying and abuse of identity cards will be used to influence the result. According to one estimate, about Baht 1.5bn (£40m) will be spent on vote-buying.

Even the election itself is a surprise, having been called 11 months early. It is now widely believed that Gen Prem dissolved parliament in May after his main rival for power, Gen Arthit Kamlang-ek, the supreme military commander, was linked with the mass defection from government by members of the Social Action Party, the biggest member of the coalition. They had hoped Gen Prem would also resign, but miscalculated badly.

Worries about a coup after tomorrow's election stem from Gen Arthit's known political ambitions. Several parties back him, including a couple of new ones. But while he has considerable financial muscle, his military strength is ebbing. Gen Prem, in a most "un-Thai" act, dismissed him from his post of army chief on May 27.

The effect has been to heighten the chances of a smooth transition to a new coalition. Although Gen Prem is against not standing for election and has become increasingly unpopular because of his general indecisiveness, most analysts expect to see him back as premier but heading a qualitatively different coalition of up to five parties.

These will include the Democrats, Thailand's oldest and best organised party, which is likely to emerge with the biggest representation in the new parliament, and the rump of the Social Action Party. But they will also probably include the right-wing Chart Thai party, which despite its success was left out after the last election in 1983.

The unanswered question is whether Gen Prem will have to "accommodate" Gen Arthit or can safely sideline him. Most analysts feel Gen Arthit will be the main loser in this election, but the fear is that one or more of the new parties supporting him will do well enough to persuade others, like Chart Thai, to join them with Gen Arthit as premier.

If, by such a twist or even through a coup, this should happen, analysts say there is every prospect of an early power bid to reverse matters. That is why attention will focus next week on the coterie of men who will try to build a government. Apart from the King, Gen Prem and a couple of party leaders, the key player will be Gen Chaovalit Yongchaiyuth, Gen Arthit's successor as army chief.

In the past, the crucial factor has been the monarchy, meaning both the King and the Queen. More recently the Queen has dropped out of the public eye.

The fact that King Bhumibhol Adulyadej turns 60 next year, the end of the symbolic "Fifth Cycle," and shortly thereafter becomes the longest-serving Thai monarch in history, is of great relevance in all political calculations. Big celebrations are planned, and Gen Prem is determined to stay on to see them through before an expected retirement in 1988.

While it is not clear whether he would then call elections or simply hand over the baton to someone else, the idea of seeing the first-ever elected prime minister at that point is taking hold.

The outgoing minister, Mr Sommai Hoontrakul, a technocrat, is deeply unpopular, and Gen Prem might well drop him to recover some of his own support. But the new man will face just as many tough decisions.

Thailand's most urgent structural need is to close the widening gap between savings and investment, caused by heavy public expenditures and low public and private savings.

It may help matters that Thailand is for the first time running its economy according to performance criteria agreed with the IMF under the terms of a stand-by credit first granted last year. But for all the improving news now emerging about the economy, thanks principally to the fall in oil prices, other long-term problems cry out for action.

One is pervasive corruption, borne of bureaucratic over-regulation and remorseless greed, which contributes to gross inefficiencies and appalling indecision. Another is the related problem of illegal commerce—specifically the drugs trade, the arms business, marine piracy and the smuggling of tin.

Despite the problems, Thailand's political system is indisputably evolving. The poll marks the first occasion the country has seen two consecutive elections under the same constitution. A period may be starting in which parliament, parties and MPs become more important and more responsive to the electorate.

That could mean the army will start channelling its demands through means other than coups.

None of this makes the country easier for outsiders, or even Thais themselves, to understand. Truth and reality remain as elusive as ever. The political system retains the Thai virtues of accommodation and consensus and the vices of manipulation and unpredictability.

Thus, when the results of the election start pouring in tomorrow night, the men who will decide who gets what in the new government face a critical few days. Thais may have seen it all before. But one wrong move, and their future could look a lot gloomier.

Banks may act over Lisbon law

By Diana Smith in Lisbon

FOREIGN banks established in Portugal after relaxation of tight banking laws in 1984 are contemplating a formal complaint to the European Commission. They are angry about what they consider the arbitrary and discriminatory imposition by the Minister of Finance, Mr Miguel Cadilhe, of a 67 per cent increase in minimum capital of new banks.

In a June decree law that came to light only in mid-July, Mr Cadilhe singled out "new" institutions—at the moment four Portuguese privately-owned and six foreign banks—for a minimum capital increase to Es 2.5bn—equivalent to $17m, or $2m more than the requirement for Spain's large, sophisticated financial market.

He argued that new institutions should be more "solid," an argument rejected angrily by foreign and Portuguese private bankers. They pointed out that, by law foreign bank branches in Portugal must be backed by the capital of their head offices—and the solidity of the capital of such banks as Banque Nationale de Paris, Barclays, Chase Manhattan, Citicorp, Generale Banque of Belgium and Manufacturers Hanover Trust could not reasonably be questioned.

New Portuguese private banks are backed by the country's most solid private investors.

The minimum capital sum appears to bear no relation to the size of the tiny Portuguese market or to the foreign banks' activity in the country. The key to their case is their belief that, by differentiating between new private and nationalised banks, the Government has gone against not only EEC precepts but its own decree law, which says "in criteria imposed on commercial or investment banks by the authorities . . . there can be no discrimination whatever."

Gonzalez names cabinet team

BY TOM BURNS IN MADRID

Mr Felipe Gonzalez, the Spanish Prime Minister, yesterday brought five new ministers into his cabinet and kept senior members of the Government in place in the economy, foreign affairs and interior portfolios.

The cabinet reshuffle followed the June 22 elections which earned Mr Gonzalez's Socialist Party, the Partido Socialista Obrero Espanol (PSOE), a renewed outright majority and saw Mr Gonzalez's re-election as Prime Minister.

The chief feature of the new government is its continuity. Mr Carlos Solchaga was reappointed as Economy and Finance Minister and others who kept their posts were Mr Francisco Fernandez Ordonez in Foreign Affairs, Mr Jose Barrionuevo in the Interior portfolio and Mr Narcis Serra in the Defence Ministry.

Mr Alfonso Guerra, a close associate of Mr Gonzalez since their student days, was reappointed Deputy Prime Minister.

Newcomers include Mr Luis Carlos Croissier, who is promoted from chairmanship of the public sector holding company, INI, to the Industry Ministry portfolio. Mr Croissier has spearheaded the reprivatisation of public companies and imposed strict austerity in INI.

Two new ministers, Mr Manuel Chaves, appointed Employment and Social Security Minister, and Mr Jose Luis Corcuera, the new Transport and Communications Minister, have strong links with the general workers union, UGT, the PSOE's "fraternal" labour organisation.

Mr Virgilio Zapatero, who, like the other newly-appointed ministers, combines youth and longstanding PSOE membership, was appointed Minister with Responsibility for Relations with Parliament. Mr Julian Garcia Vargas, a former key aide to economy supremo Mr Solchaga, was appointed Minister of Health and Consumer Affairs.

Mr Joaquin Almunia, the Employment Minister for the past four years, was appointed to the Public Administration portfolio, a new post in the 15-member cabinet which will have the reform of the Spanish civil service as its chief priority.

● Spanish unemployment fell by 79,100 to 2,652,400 between January and June, the Economy Ministry said yesterday. By the end of 1985, the rise in unemployment, which has affected nearly 22 per cent of the active population, showed clear signs of levelling out.

The Ministry noted that the level of industrial activity was "greater and in progressive expansion," with an increase of electricity consumption and a rise of 0.3 per cent in the index of industrial production for the first quarter against the first three months of 1985.

US contenders face being barred from radar contract

BY DAVID BUCHAN

TWO BIG US contenders to supply Britain with an airborne early warning system could be knocked out of the competition for the multi-million pound contract for lack of international agreement on a dedicated frequency for their radar to operate on.

The Allied Radio Frequency Allocation Board in Brussels said earlier this month it could not give Grumman and Lockheed a dedicated, or cleared, ultra high frequency band for the APS-145 radar which both US companies are offering in their rival bids for the British contract. Other European users were already transmitting on the UHF band that the APS-145 uses, the board said.

However, Grumman and Lockheed yesterday said they were still pressing their bids, in spite of concerns by some officials in the Ministry of Defence that Britain should not commit itself to any airborne early warning system for which it did not have an operating frequency cleared internationally in advance.

The strategy of the two companies, which admit they have run into a big hitch in their bids, is to try to persuade the UK Government that ARFAB agreement on a UHF frequency eventually can be negotiated. It took three years for such agreement on the S-band radar frequency used by the Boeing Airborne Warning and Control Systems aircraft operated by Nato. The companies also plan to show that the APS-145 radar is perfectly operable without a dedicated frequency.

The two other main contenders in the airborne early warning competition — Boeing and GEC of the UK — are not affected by the latest development. GEC, which is struggling against the US competition to complete its so far unsuccessful Nimrod early warning system, uses an S-band, the same as the Boeing Awacs.

The immediate result was a suggestion by Mr Peter Levene, the MoD chief of procurement, that Grumman and Lockheed prove their claim about the capability of the APS-145 radar with a demonstration. This can only be carried out by the US Navy, which operates more than 100 Grumman-built Hawkeye aircraft with General Electric supplied APS radar off its carriers. The MoD is considering requesting such a demonstration from the US Navy.

After talks with the MoD in London this week, Grumman officials led by Mr Rolf Larson, an executive vice president, and Mr George Lombard, a Lockheed-California vice president, all stressed the advantages of UHF radar over its S-band competitors in detecting cruise missiles and the low observable, so-called Stealth-type weapons, which the Soviet Union is likely to develop.

They also emphasised that the US Navy had for years been operating UHF radar equipped aircraft from its carriers around the world, in Europe and elsewhere, without interfering with other frequency users. They did not believe the US Navy had ever obtained a dedicated frequency for its Hawkeye early warning aircraft.

Mr Levene, who has sought to introduce maximum competition into defence procurement, is believed to be more concerned than some MoD technical evaluators at the possibility of two important competitors being knocked out at this stage of the airborne early warning contract competition, which will not be finally decided before September.

Guinness pressed for pledge on Scots role

By Peter Riddell, Political Editor

THE Department of Trade and Industry is holding discussions with Guinness, the UK brewing and retailing group, with a view to the company issuing a statement next week about its plans.

Ministers are pressing for a commitment by Guinness that it shall fulfil undertakings made when it took over Distillers, the spirits group, that the headquarters of the combined group would be in Scotland and that its employment there would be maintained.

The Department confirmed last night that Mr Michael Howard, Minister for Corporate and Consumer Affairs, had seen Mr Ernest Saunders, the Guinness chief executive, this week, but it refused to discuss the substance of the talks.

The discussions follow a row in the City and Whitehall over Guinness's announcement a fortnight ago that it was scrapping plans made during the Distillers takeover for a group supervisory board, chaired by Sir Thomas Risk, governor of the Bank of Scotland. The Bank of England rebuked the company and Mr Malcolm Rifkind, the Secretary for Scotland, reminded Mr Saunders of undertakings about the future in Scotland of the enlarged group.

In the background are implicit threats of government action, such as a close inspection of the company.

Mr Howard has hinted in a Commons written answer this week that he was looking at two sections of the Financial Services Bill, which proposes a regulatory framework for the City, in the light of events at Guinness. These sections refer to listing particulars and offer documents from companies engaged in takeover bids.

Sir Douglas Wass to join Nomura

NOMURA INTERNATIONAL, the London subsidiary of the Japanese securities company, has recruited Sir Douglas Wass to be its non-executive chairman from August 1.

Sir Douglas was permanent secretary to the Treasury from 1974 to 1983 and joint head of the Civil Service from 1981 to 1983.

He is chairman of Equity and Law Life Assurance, and a director of Barclays Bank and of the De La Rue Company.

Nomura said yesterday that it expects Sir Douglas to play mainly an advisory and ambassadorial role, supporting its efforts to become more integrated into the UK financial community.

He will not be involved in negotiations between the company's Japanese parent and the Bank of England over its application for a UK banking licence.

British Gas privatisation planned for November

BY LUCY KELLAWAY

THE PRIVATISATION of British Gas, the most ambitious sale of shares ever attempted, will take place in the second half of November, Mr Peter Walker, Energy Secretary, announced yesterday.

He also set a timetable for the establishment of the regulatory system for the privatised British Gas, as defined in the Gas Bill, which received Royal Assent yesterday.

The Office of Gas Supplies, the industry watchdog, will come into being on August 18. It will ensure that British Gas charges the correct price to its domestic customers and will promote competition in the industrial market.

A licence setting out rules for British Gas will come into force on August 23, in time for the creation the following day of British Gas Plc. On that day, British Gas Corporation will cease to exist.

The City had set its sights on a flotation at the end of November, by which time the stock market should have regained its balance after the Big Bang, scheduled for October 27.

However, the announcement that the sale will go ahead, subject to market conditions, will end rumours that the privatisation might be delayed.

The sale of British Gas shares, expected to raise between £5bn and £6bn, forms the keystone of the Government's privatisation programme.

New finance chief at Standard Chartered

MR RICHARD STEIN, finance director of BOC, will join Standard Chartered bank as group finance director in September.

Mr Stuart Tarrant, the bank's former chief financial officer, resigned on Wednesday.

David Churchill reports on holiday companies' strategy options

Decision time in tour price war

BRITAIN'S leading package tour operators will over the next few weeks have to decide whether or not to take a gamble and continue their fierce price war into 1987.

Their decision will have to be made against a background of sharply increased numbers of foreign holidays this year but at an equally sharp cost to the travel trade.

Last week Travel Team, a London-based operator trading as Breakaway, became the latest casualty. Its collapse affects 700 holidaymakers still abroad and about 3,000 people with holiday bookings.

Although the rate of tour operator failures this year is running at about the same level as last year, there are fears within the industry that a rush of other collapses could develop over the next two months as the season draws to a close.

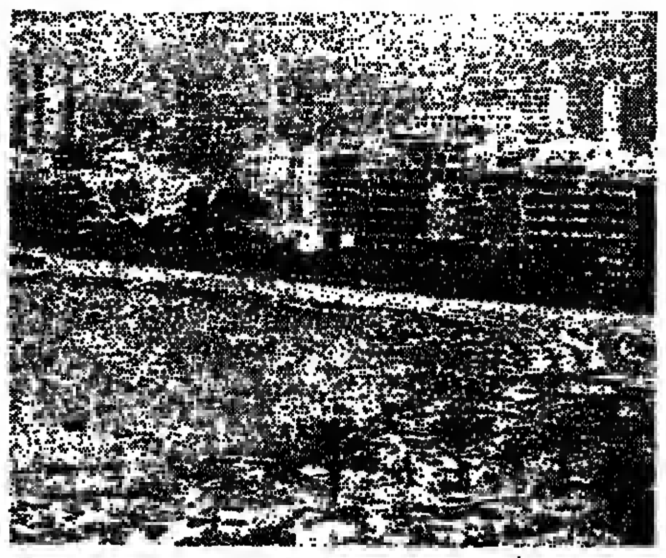
Smaller tour operators who are at present under considerable financial strain still hope that cash flow from the current high-season customers will bring salvation before the receiver has to be called in.

Last week the Civil Aviation Authority released figures showing just how vulnerable the travel trade is. Eight of the top 30 operators recorded losses totalling £19m last year, while 22 others had combined profits of almost £80m. About £23m of that came from the top two operators, Thomson Holidays and Intasun.

At the same time, travel agents—especially independent ones—are being squeezed by the smaller commissions they receive on bargain - price holidays.

Already, the price war between the leading travel agents has continued over into the winter holiday market, which traditionally is not fought on price.

However, it is the strategy for next summer that is now becoming the biggest worry for travel chiefs.



Foreign holiday bookings have increased sharply this year

Growth of hotel and other costs is forecast at up to 12 per cent in such key destinations as Spain—by far the most popular holiday destination this summer—and this alone almost guarantees higher brochure prices.

But on top of these rising costs there are the uncertainties arising from fluctuating currency prices and aviation fuel prices.

The current price war was launched on an unsuspecting travel trade last October by Thomson Holidays, which cut prices by nearly 17 per cent and doubled its holiday capacity to 2m.

Thomson's price war quickly sparked off salvos in reply from Intasun, the second largest tour operator and part of the International Leisure Group, as well as from Horizon Holidays.

The war of words at that stage intensified at the annual jamboree of the travel trade, the Association of British Travel Agents' conference held at Sorrento in Italy.

Rising oil prices at that time made it look as if the price war would result in hundreds of tour companies going to the wall and revived fears of disasters on the scale of Court Line or Clarksons in the 1970s.

What saved the industry from total chaos this summer was the sharp fall in oil prices which led to cuts in the aviation fuel price, which is responsible for about a tenth of holiday costs.

Mr Charles Newbold, deputy managing director of Thomson Holidays, is convinced that the price-cutting tactic was right.

"We felt that there was scope to increase both the overall market as well as our own share by this means—and this is exactly what has happened," he said.

While the overall summer tour market has grown by about 25 per cent to some 7.5m holidays, Thomson has seen its share increase from 20 per cent to over 30 per cent.

Thomson's profit margins have apparently not suffered by the chase for market share either.

With Intasun and other market leaders also sharing in the benefits of extra business from the price cuts, it is clear that those feeling most pressure are the smaller operators who cannot fight a price-cutting campaign.

The price war continues. Thomson last week cut the price of 100,000 of its 750,000 winter sun holidays after it found itself undercut by Intasun.

Yet the real struggle is still to come. Decisions taken in the next few weeks about the prospects for oil prices could easily be upset by factors outside the travel trade's control.

It is likely that the leading operators will offer guaranteed prices against any currency increases but will lose their nerve on fuel prices, retaining the option to impose a surcharge.

The price-cutting hysteria of last autumn, when Spanish holidays were being sold for as little as £5 each, is unlikely to be repeated in any credible way. Instead, brochure price rises of at least 5 per cent are expected.

This, however, will still enable companies such as Thomson and Intasun to maintain their competitive advantage over smaller tour operators—but in a less damaging way than an all-out price war.

TOUR OPERATOR TO EXPAND

International Leisure Group, the tour and airline operator, plans to expand its hotel operation over the next five years at a cost of about £60m.

The company's present chain of three hotels will be expanded to between eight and 10 and will be aimed at the middle-market.

International Leisure is also investing about £10m in modernising the Charing Cross Hotel in central London.

Caterer drops NHS contract

BY DAVID BRINDLE

SPINNEYS, the most successful catering company in the Government's competitive tendering programme for the National Health Service, has withdrawn interest in further contracts.

The move by the company, a subsidiary of Steel Brothers Holdings which says it is dissatisfied with the programme, is a setback for the Government at a time when ministers are reconsidering their plans, shelved last year, for compelling local authorities to adopt NHS-style tendering.

Spinneys says it will continue to operate seven contracts it has won since the NHS programme began in 1983. However, yesterday it gave four months' notice that it will pull out of an eighth contract, due to be carried out in Birmingham, after the local health authority refused to increase the tender fee by 20 per cent.

Mr Philip Burton, Spinneys' marketing and sales director, said: "The whole problem is the way the competitive tendering process has been forced on the NHS; forced on an unwilling monolith.

"It has also been a pretence that there is fair competition between in-house services and contractors. Both sides believe it is unfair."

Spinneys was one of only a few catering companies considered enthusiastic about the NHS programme, which also involves tendering for cleaning and laundry work. Some other leading caterers boycotted the programme until earlier this year, the Government agreed to allow management-fee or cost-plus tendering as well as fixed-price bids.

Mr Burton said the final straw for his company was the effect of the Government's move to scrap the general 35 per cent redundancy rebate. From next month, he said contractors will have to bear the entire cost of making redundant an in-house workforce when a contract in won.

In Birmingham, Spinney's asked for its fee to be increased from £610,000 a year to £730,000 for a catering contract begun in April at the 600-bed Queen Elizabeth Hospital.

Mr Chris Walliker, Central Birmingham Health Authority chairman, said: "This is very unsatisfactory state of affairs because we are already having financial difficulty in maintaining the high level of patient services at the hospital."

Mr Burton added that his company had under-estimated the cost of the contract. He said this was due to the company making few estimating visits to the hospital because of trade union hostility to the tendering programme.

Dairy Crest campaign to continue

By Andrew Gowers

INDEPENDENT dairy companies will continue to press the Milk Marketing Board to sell off its commercial arm, Dairy Crest Foods, inspite of yesterday's announcement of a truce between the companies, the board and the Agriculture Ministry.

The Ministry said Dairy Crest, alleged by its competitors to have enjoyed an unfair commercial advantage, would be incorporated as a wholly-owned subsidiary of the board next April.

It will also be subject to stricter monitoring by the ministry than previously to ensure it operates like other commercial companies.

This will cover most aspects of its operations, from its financial performance to its borrowing and its milk pricing, supply and haulage arrangements.

Dairy Crest will be prevented from expanding further into the butter or cheese businesses, but it will be encouraged to continue to launch new products.

The board is a co-operative owned by English and Welsh dairy farmers which monopolises milk supplies. Dairy Crest, Britain's largest manufacturer of butter, skimmed milk powder and Cheddar cheese, was criticised in a Government-commissioned consultants' report for making an inadequate financial return for a normal commercial company.

Management institute head resigns

By Richard Evans

DR JOHN CONSTABLE, director-general of the British Institute of Management for less than a year, has resigned because of problems associated with its move from London to Corby, Northants.

More than 120 of the institute's staff of 150 have moved to Corby and most of the rest will do so soon, leaving only a handful in London.

Dr Constable, a former head of Cranfield Business School and a specialist in management education, plans to return to this field as a management consultant. He will retain close links with the BIM.

Sir Peter Parker, chairman, said he was very sorry about the resignation.

Dr Constable will remain in his post while discussions about a successor take place.

Industry 'needs outside help to adjust to market'

BY HAZEL DUFFY

INDUSTRY probably needs more outside help to adjust to present market conditions. This could involve long-term financial support by institutional shareholders, acting at the behest of a "catalyst."

This is the conclusion of a report by a working party of the National Economic Development Council's committee on finance which investigated the role of financial factors in influencing the speed and direction of capacity adjustment and restructuring in industry.

The committee, chaired by Sir John Baring, chairman of Baring Brothers, involved people from government, industry and the trade unions.

The report did not specify who or what the catalyst should be, but said its role would be to assemble a suitable consortium of willing backers.

It would conduct "discreet negotiations with management, creditors, existing shareholders and potential providers of new finance to secure agreement on such matters as the structure, terms and conditions of a financing package and possibly on management changes required by new backers."

It is a role the Bank of England has undertaken occasionally on an ad hoc basis.

The committee suggests three other areas requiring outside help: an early warning system to amplify and interpret market signals for industry; advice to help managers adjust; and a mechanism to alert public authorities—in, for instance, tax and anti-trust—to what companies are doing in adjusting to excess capacity.

Financial Aspects of Industrial Restructuring: NEDO Books, Millbank Tower, Millbank, London SW1P 4QX. £5

West Midlands to lose 1,050 transport jobs

Financial Times Reporter

MORE THAN 1,000 jobs are to be lost in streamlining by the West Midlands Passenger Transport Executive.

The 1,050 jobs are to go by the end of October with the closure of bus garages in Birmingham, Coventry and Wolverhampton, the executive said yesterday. It blamed the effects of the 1985 Transport Act, which requires it to operate as a commercial company, rather than partially as a social service.

The executive has 5,000 employees. This year, it announced the loss of 300 jobs at Walsall and Sandy Lane, Coventry. Union leaders were told yesterday the Sandy Lane garage would close, as would others at Cotteridge, Birmingham, and Park Lane, Wolverhampton.

Poverty-line figures up steeply

BY JOHN HUNT

GOVERNMENT figures showing a steep increase in the number of people living at or below the poverty line were placed in the Commons library just before it closed and when nearly all MPs had left for the summer recess.

No details of the statistics were given in written answers by Mr John Major, Under-Secretary for Health and Social Security, but he said he had set in train a technical review of the methods and assumptions on which the tables were based.

Mr Frank Field, Labour MP for Birkenhead, who specialises in social security said tables showed 8.8m living at or below the poverty line. He described the Government's method of publishing the figures as "disgracefully underhand" and predicted that they would be widely used by Labour in the run up to the general election.

He has been campaigning for a year for their release.

Mr Field said the tables showed that in 1983 there were 8.8m people living at or below the poverty line. This was a sharp increase on the figure of 5.9m in 1979, the year the Conservative Government came to office.

From the statistics Mr Field estimates that the present figure is probably about 10.2m.

The tables are usually issued two years in arrears so that those for 1983 — the latest available — should have been published last year. Of the 8.8m, said Mr Field, the tables show that 2.7m are below the poverty line and 6.1m are living on it.

The definition of the poverty line is a single person on £29.40 a week and a married couple on £44.80. Mr Field put down a written question, but in his reply Mr Major referred him to an answer he gave yesterday to Mrs Edwina Currie, Conservative MP for Derbyshire S.

This said the low income tables had been placed in the Commons library, but pointed out that since the Government came to office the real value of supplementary benefit had risen by 6 per cent. Mr Major claimed that this had distorted the results.

"Up to one third of the total increase in the number of families included in the tables is directly due to this improvement in the help provided for those most in need," he said.

That was why he had set in hand a review of the methods used in compiling them. He said the system had remained unchanged since the first analysis of this kind was made.

University cash from industry up 50%

UNIVERSITIES increased by almost 50 per cent their earnings from research done for industry and commerce in 1985, the Committee of Vice-Chancellors and Principals said yesterday.

The figure rose to £48m from £33m in 1984.

Universities earned a further £30m in 1985 from short courses, many of them for industry.

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Nedo criticises plastics makers' return on capital

BY TONY JACKSON

MOST plastics processors in Britain would get a hetter return on their capital if they invested their money in the Post Office, says a report from the National Economic Development Office.

Althongh industry profitability has recovered from its average of less than 9 per cent return on capital in 1981, many companies are not profitable enough to invest in new plant, to expand their markets or to provide their workers with employment security, says the report.

After examining several successful companies in the industry, the report defines the factors which have improved their profitabiitly.

First and most essential, says Nedo, the successful company maintains tight financial controls. "Senior executives in small independent businesses sometimes do not know their current profitability, and refer enquiries about it to the company accountant," the report says.

According to other Nedo criteria, the successful plastics processor seeks to maximise added value; specialises (either by product, or by processes and services offered); offers the highest possible level of quality; is attentive to its investment policy; adheres to a set marketing policy; gives careful thought to labour relations; and has a well-defined command structure.

The report adds that subsidiaries succed if given as much freedom as possible.

How to succeed in plastics processing, £3 from Nedo Books, Millbank Tower, Millbank, London SW1 4QX

Warning over funds for youth training

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

THE Manpower Services Commission has told the Government that more funds may be needed if the Youth Training Scheme and the Technical and Vocational Education Initiative are to develop successfully.

In its response to the white paper, Working Together—Education and Training, published earlier this month, the commission indicates its willingness to operate within the Government's proposed financial structure. But it warns that funding will be tight and reserves the right to seek an increase.

The Government announced in the white paper that the TVEI pilot scheme, which is designed to offer a hroader and more practical curriculum for 14 to 18-year-olds, is to be extended to all secondary schools.

It intends to make an average of £90m a year available to local education authorities over the next 10 years. This money, however, will come from the MSC's planned provision for young people—meaning the re-allocation of funds previously earmarked for YTS and the original TVEI pilot projects.

Mr Bryan Nicholson, MSC chairman, says in a letter to Lord Young, Employment Secretary, that "the commission as a whole remains concerned that existing planned provision could prove to he insufficient to run both YTS and a national TVEI programme successfully."

He tells Lord Young that while the MSC will "endeavour to live with the consequencea of your decision to fund the TVEI extension in the way you propose," the commission must reserve the right to seek extra resources to ensure the delivery of both programmes.

The proposed £90m a year for TVEI development will produce a less generous funding level for the national scheme than the pilot projects have received.

MSC commissioners who come from the CBI, TUC, education service and local authorities support the Government's decision to extend TVEI. But they have told Lord Young they are "determined that the high quality of the pilot scheme should be maintained."

Mr Nicholson says in his letter that "while welcoming the national extension and agreeing that it should be possible to make significant progress on the basis proposed, the commission took the view that funding is tight, as compared with the pilot scheme."

The extension would need to be monitored to ensure that resources were adequate to meet the initiative's aims.

The commission warns it is important to ensure a sufficient supply of qualified, specialist teachers if TVEI is to succeed. Britain faces a serious shortage of teachers in mathematics, science and design subjects — specialist areas on which TVEI heavily depends.

MPs hit at lack of contract for MoD freight agent

BY DAVID BUCHAN

THE COMMONS Public Accounts Committee yesterday criticised the way a private company has—for almost 120 years—been allowed to handle Ministry of Defence freight shipments without a proper contract or subjection to competition.

Since 1870 Hogg Robinson, the travel and insurance group, has acted as the official Government Freight Agent, responsible for about £50m worth of MoD freight business not carried each year by the services' 68 transport aircraft, nine ships, five tankers and many trucks.

The PAC considers it "extraordinary" that the freight agent's business should not have been governed by a formal contract for so long, and expresses its "dissatisfaction" that the agent has no financial incentive to maximise value for money in placing MoD shipments. It also regards as "excessive" the commission formula set for the agents costs plus 14 per cent.

Mr Robert Sheldon, Labour MP for Ashton-under-Lyne and chairman of the PAC, yesterday called on the Department of Transport "to bring what seems to have been a cosy relationship to an end or to where you can justify it rather more than it has been justified so far."

Hogg Robinson said last night discussions with the oGvernment about a contract had atarted last year, but the complexity of the work, particularly in times of national emergency, did not easily lend itself to encapsulation in a contract.

POC 49th report 1985-86 session): Service Movements, Ministry of Defence, HMSO £4

Call for access to BS books

BY CHRISTOPHER PARKES

THE LATEST Commons investigation into the decline of British Shipbuilders raised many more questions than it answered, according to a report published yesterday by the Public Accounts Committee.

The committee said it needed greater access to information on the management and finances of British Shipbuilders if it was properly to assess and understand the sources of the state industry's problems.

It acknowledged the extent of the crisis which had swept world shipping. However, it added: "we regret that it is difficult for us to judge whether there have been internal factors such as the quality of BS's management and use of resources which have had a significant effect on . . . performance."

The committee repeated earlier protests that a proper measure of the accountability of nationalised industries could be achieved only if the National Audit Office had access to industries' books and records.

Stressing that BS had soaked up more than £1.4bn of taxpayers money, the committee noted its poor corporate planning record and, more recently "the distressing prospect of major closures."

It said it would have liked an "informed discussion" in which the Department of Trade and Industry could have answered questions such as:

- How well had BS been managed?
- Had assistance been used effectively?
- Would BS have been in a hetter position if it had closed more shipyards sooner and modernised the remainder?
- Had there been sufficient capital expenditure in the most suitable dockyards?
- Had too much government assistance been put into meeting day-to-day losses rather than necessary reconstruction?

The committee's indirect request for the Comptroller and Auditor-General to be allowed access to the BS books was firmly rejected.

"In their (the DTI's) view, it was for them to monitor BS and for BS management to run the enterprise," the report said. "It was the responsihility of NAO to monitor the department's monitoring role hut not to monitor the performance of BS directly."

The committee was told that if the audit office were to take a direct interest the DTI would not be clear what its task was or what the position of the Secretary of State would be.

The report also criticised the department for not doing all it might, in the period before the present system of subsidies was introduced in December 1984, to examine contract estimates and tackle BS when the estimates continually proved to be wrong.

Noting appeals from European shipbuilders for subsidiea to scrap old vessels, the committee said it hoped the Government would be considering what steps might be taken within the European Community.

While the DTI maintained that the market for replacement vessels should improve in the early 1990s. the committee found it difficult to see what might he done before then to improve prospects for British Shipbuilders.

**Assistance to British Shipbuilders, 43rd report from the Committee of Public Accounts, HMSO, £3.40.*

Dalyell lays Westland leak at PM's door

By Ivor Owen

A NOD, wink, or instruction from Mrs Margaret Thatcher led to the leaking of the letter written by Sir Patrick Maybew, the Solicitor-General, to Mr Michael Heseltine, then the Defence Secretary, at the beighl of the Westland affair, Mr Tam Dalyell, Labour MP for Linlithgow, claimed in the Commons yesterday.

He asserted that the Solicitor-General had been "used and abused," even to the extent that the tactic of making a selective leak to the Press Association, in order to discredit Mr Heseltine, bad been decided before the letter was written.

Mr Richard Luce, who sharea with the Prime Minister ministerial responsibility for the Civil Service, scoffed at Mr Dalyell's charges and told him: "One of your obsessions la that there ia a conspiracy by the Government against the natioo."

He contended that Mr Dalycll bad demonstrated again his capacity to be overwhelmed by bis obsessions, to the extent where his loss of balance and objectivity was such as to "diminish the credibility of his case."

The Labour back-bencher maintained that the only way in which the Downing Street Civil Service machine would have allowed such sensitive material as a Law Officer's letter anywhere near the Downing Street Press Office was because it knew it had to act in accordance with the Prime Minister'a "nod, wink, or instruction."

He suggested that fear of bringing down the Government had deterred Sir Michael Havers, the Attorney-General, and the Solicitor-General from resigning over the issue.

Mr Dalyell accused the Prime Minister, Mr Bernard Ingham, her press secretary, and Mr Leon Brittan, former Trade and Industry Secretary, of involvement in the attempt to make Mr Heseltine appear foolish.

The only way in which it had been possible subsequently to protect the position of the Prime Minister had been to put the blame for what had occurred on "understandings or misunderstandings between civil servants," he added.

Mr Dalyell protested that this bad been done without regard for the fact that it meant "impugning, without good reasoo, the competence and integrity of civil servants."

He described the inquiry—conducted by Sir Robert Armstrong, the Cabinet Secretary and head of the Home Civil Service—into a leak whicb bad been authorised by Mr Brittan, as "little more than a charade."

Motorcycle sales fall

By Kenneth Gooding, Motor Industry Correspondent

SALES OF powered two-wheelers continued to fall in the first half of this year. Registrations dropped 13 per cent to 52,542 from 60,421 for the January-June period in 1985.

The steepest decline was in moped sales which fell 22 per cent in the six months, from 22,206 last year to 17,338.

Motorcycle registrations fell by 7.9 per cent from 38,215 to 35,204, saya the Motor Cycle Association.

The association says, however, the June atatistics showed improvements in five main capacity areas, giving the industry hope.

Last month sales were up in the 201cc to 250cc, 251cc to 350cc and in the already-healthy big bike sectors. June figures showed 23 per cent of all new machines registered were in the over-125cc category, up from 21 per cent for the same month last year.

Hazel Duffy looks at the Government's stance on Whitehall's structure

Door open for Civil Service reform

IT APPEARS the Government may be tacitly acknowledging that the structure of responsihility for the civil service within government needs to be changed.

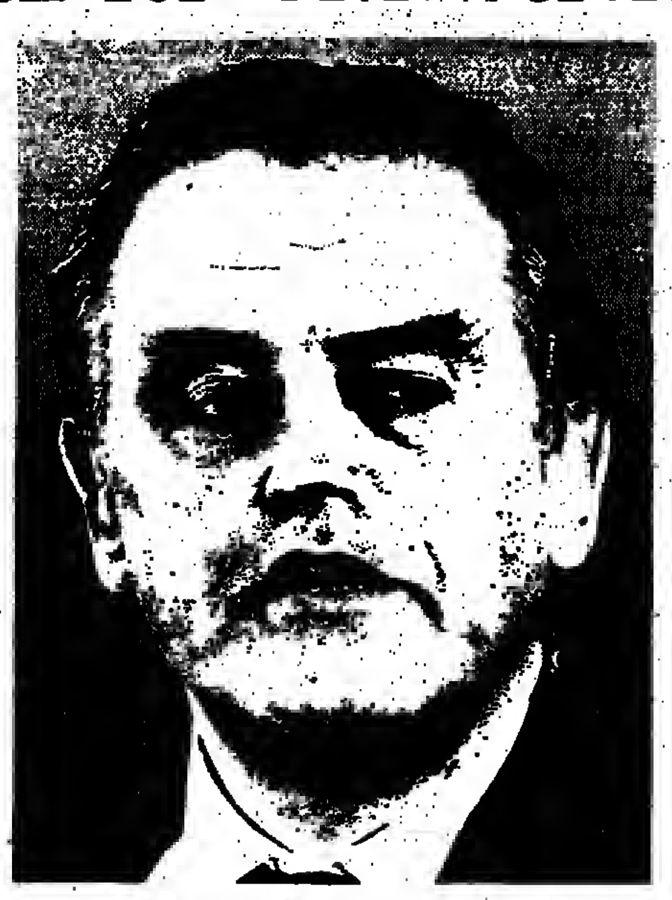
This week, instead of slamming the door on recent reform recommendations from the Commons Treasury and Civil Service Committee — which emanated from a high-level investigation chaired by Mr Austin Mitchell, Labour MP for Great Grimsby — the Government has suggested that ministers know that all is not well in the service.

The official response welcomed the committee's report "as a contribution to the public discussion of a number of important and sensitive issues which lie at the beart of the exercise of government in a parliamentary democracy and in a complex industrialised society." The response was inteoded "as a contribution to a continuing discussion, not as the last word in an argument."

Alongside the harsh criticisms of aix named civil servants in the headline-grahbing report of the Commons Defence Committee on the Westland affair (puhlished the same day as the response), these words may seem to be an excuse for inaction.

The response rejected two of the Treasury and Civil Service committee'a key recommendations, namely that there ahould be a single minister for the civil service and that the posts of civil service head and secretary of the Cabinet (beld by Sir Robert Armstrong) ahould be split.

The Prime Minister was highly unlikely to have sanctioned these proposals at this stage. Sir Robert has already agreed to stay beyond his retirement age until the next election. This would leave the way clear for a new government, of whatever party, to proceed with changes.



Sir Robert Armstrong: defended dual role

Sentiment is growing that the structure of responsihility for the civil service is unsatisfactory. Several witnesses, inclnding Mr James Callaghan, Mr Edward Heath and Sir Dougles Wass (former Treasury Permanent Secretary) told the Commons committee that Sir Robert's dual roles harbour potential conflict of loyalties.

Sir Robert, twice giving evidence to the committee, denied this. He argued that it is not the job of the civil service head to represent civil servants in particular departments.

He said the advantage of comhining the roles was that be saw the Prime Minister daily, and that there was not enough for tha civil service head to do to make it a full-time job. His critics, including the MPs who reported on Westland, do not agree.

In other areas, responsibility for the civil service is split. The Treasury looks after pay and manpower and the Management and Personnel Office, under the Cabinet Office, looks after personnel management recruitment, training, and the like. The division, which came about when Mrs Thatcher abolished the Civil Service Department in 1981, looks increasingly odd as pay is an increasingly integral part of the services personnel problems.

Mr Callaghan has called the divisions a "mishmash." He said: "The Prime Minister takes on appointments, the Minister of Arts and Culture (Mr Richard Luce, who is also minister for the civil service) gets manpower, which I think is absurd, and the Treasury takes a third aspect of the matter so it divides into three like-Gaul."

Many civil servants are unhappy about several things, especially pay and promotion bottlenecks. The committee raised other complaints, particularly those that affect the more senior officials working in Whitehaii.

Mr Terence Higgins, the chairman, believed accountability was a key area which needed redefinition, particularly in the light of the Westland affair. Does the traditional definition—ministers accountabla to parliament, civil servants to ministers, still hold good?

Mr John Ward, general secretary of the First Division Association, the top civil servants' union, thinks not. He sees civil servants as having been pnt in an "impossible position": named and blamed by select committees on Westland and on the tin crisis when MPs could not get at ministers.

The code of ethics, the Armstrong Memorandum, issued by Sir Robert after the messy Clive Pointing Affair, sets out the procedure for civil servants who ministers ask to act in ways which go against their consciences.

Mr Joe Haines described it to the civil service committee as "a plea for the retention of the amateur captain in county cricket. It is romantic and unrealistic." The MPs agreed.

Claims likely over shelved local radio

By David Thomas

APPLICANTS affected by the Government's decision to shelve an experimental national network of community radio stations are considering claiming compensation.

Nearly 280 of them applied for the 25 radio licences the Government intended to allocate under an experiment it shelved this month partly because of its concern about lack of regulation.

The Government decided instead to look at the issue as part of a green paper on the future of radio.

Representatives of about 100 applicants met in London this week and agreed to collect information on the costs incurred by applicants. Applicants might use the information to claim compensation against the Government.

Ms Maggie Stevenson, from South London Radio Partnership, who organised the meeting, said: "The fact that 100 of us have got together shows we're not going to let the issue rest."

She added that the applicants' priority was to persuade the Government to change its mind.

Representatives of the applicants would therefore seek an urgent meeting with Home Office ministers to persuade them that at least one or two pilot schemes should be tried.

The aplicants would draw up their own proposals for a regulatory system to meet the government concern, Ms Stevenson said.

They will also ask the Home Office to release the list of those successful in bidding for licences, which the applicants believe had been prepared.

Bank issues £400m of indexed gilts

By George Graham

THE Bank of England yesterday startled the London securities market by issuing £400m of new index-linked gilt-edged Government stock to meet what it described as "specific investment demand for stock of this type."

Dealers said it was unprecedented for the Bank to state its reason for issuing a stock in this way.

The stock is believed to be intended m meet sudden need from a large pension fund which requires index-linked gilts in order to match its commitment to increase the pensions it pays out in line with the cost of living.

British Gas, for example, bas in the past, as a state-owned corporation, raised pension payments in line with the cost of living. In the process of preparing for its flotation on the stockmarket later this year the company plans to incorporate this and other existing practices into the rules of its pension scheme.

The new stock, Treasury 2½ per cent index linked, maturing in 2016, is to be offered hy tender next week to allow the investor that haa expressed its interest and other interested investors to bid for it. No minimum tender price is stipulated, but £40 will be due immediately with the remainder to be paid on September 8.

With only £10bn of index-linked gilts in issue, the new £400m tranche is a larger addition to the market than is usual. Index-linked stocks, whose capital value and interest payments both increase in line with the retail price index, are mainly bought hy pension funds and insurance companies to match future liabilities that are pegged to inflation.

ECONOMIC DIARY

TOMORROW: Mr George Bush, US Vice-President, visits Jerusalem (until July 30). Thai general election.
MONDAY: Opec oil ministers meet in Geneva to discuss oil prices and quotas. Reuters' interim figures.
TUESDAY: Sir Geoffrey Howe, Foreign Secretary, has second meeting with South African President Botha. Bricks and cement production and deliveries (second quarter provisional). CBI publishes industrial trends survey (July). British Coal issues annual report. National Westminster Bank interim results. US second quarter productivity data.
WEDNESDAY: Overseas travel and tourism (May). New vehicle registrations (June). Mr George Bush, US Vice-President, to visit Jordan (until August 2). UN talks on Afghanistan resume in Geneva.
THURSDAY: Energy trends (May). UK balance of payments—overseas earnings of the City (1985). London Chamber of Commerce hold seminar on "The cause and effects of the 'big bang'" at the Savoy Hotel, WC2. New Zealand Government presents budget for fiscal 1986-87. US index of leading indicators (June). Midland Bank interim figures.
FRIDAY: Housing starts and completions (June). Car and commercial production (June—final).

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BA says cheaper fuel will not lead to lower fares

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

REDUCTIONS in the cost of aviation fuel as a result of lower crude oil prices are not likely to bring down air fares but will only go some way towards offsetting cost increases in other areas.

Mr Colin Marshall, chief executive of British Airways, says that extra security precautions, higher landing fees and air traffic control charges, together with monopoly fuel suppliers at some places who do not pass on cheaper fuel costs, mean that reduced fares are out of the question.

"We stand a much better chance of controlling fuel costs, not through lower prices, but through technological development," he says in the latest issue of Business Life, BA's magazine.

Mr Marsball points out that while crude oil prices have dropped considerably, this bas not necessarily ben passed on in aviation fuel prices.

"Although aviation fuel prices are tending to drop, the decline is nothing like that which we have seen in crude oil," he says.

"Moreover, the notional price of aviation fuel in world markets is one thing: the price that we pay at individual airports around the world is quite another."

While BA can bargain on fuel prices at some airports, at others it has no choice but to pay the price demanded because the local supplier has a monopoly.

"Where that applies, airlines can expect to pay prices that bear no relation whatever to the theoretical free market figure," Mr Marshall says.

"Our most effective response is to pick up as much of our fuel as possible where it is cheapest.

"No foreseeable reduction in fuel prices is going to do more, I am afraid, tban belp to offset the kind nf uncontrollable cost increases we face in other directiona."

However, technological developments on the way, such as the prop-fan power-plant concept that gives substantial savings in fuel costs over conventional jet engines, will do much to help airlines' costs.

"It holds out the prospect of an aircraft that will fly as fast as present jets, but will use only about 40 per cent of the fuel per sest-mile consumed by a Trident 3.

"By the turn of the century, a lot of British Airways' passengers will probably he flying in prop-fan aircraft."

Meanwhile, BA is to install improved jet engines in its Rolls-Royce-powered Boeing 747 Jumbo jets, at a cost of £100m.

This will be justified by the improved range and lower fuel consumption of the modified engines

Be more commercial, CAA told

BY MICHAEL DONNE,

MR JOHN MOORE, Secretary for Transport, has urged Mr Cbristopher Tugendhat, chairman of the Civil Aviation Authority, to have a more commercially-orientated approach to its task.

In a letter to Mr Tugendbat, Mr Moore points out that the CAA, the governing body of UK civil aviation, has operaled with its present structure since 1972, except for the formation of a separate subsidiary company for its Scottish aerodromes.

"Tbe time is ripe to review its organisational structure, and this you should do, assisted as necessary by outside mansgement consultants," says Mr Moore.

"This review should bave in mind the need to encourage further a commercial approach within the authority, and to devolve management responsibility."

It should also "ensure adequate control of both capital and current expenditure," and consider tbe need "to continue to take a corporate view of its priorities, set targets for parts of the business and ensure tbey are achieved."

In particular, the authority is ordered to review the National Air Traffic Services, controlling all aircraft movements over the UK, and to consider whether alternative suppliers for such operations might be found.

Sale of Crown Suppliers still sought

BY RICHARD EVANS

THE GOVERNMENT is still seeking ways of privatising the Crown Suppliers which furnishes public buildings and runs Ministerial cars, despite opposition to the proposal in a recent report by senior civil servants.

In a review last year of the future of the Crown Suppliers, a self-financing business within the Government with a turnover of more than £240m, officials decided privatisation would be feasible but would not necessarily be in the public interest.

Instead, they called for greater efficiency and the contracting out of certain activities.

However, Sir George Young, Environment junior Minister, said in a Commons written answer yesterday: "Despite these recommendations, Mr Nicholas Ridley, Environment Secretary, and myself believe that privatisation may be a valid option."

He said the Government—"without commitment"—had decided it was timely to seek the advice of an outside institution, probably a merchant bank, on the feasibility of privatising all or part of the Crown Suppliers, including the possibility of some form of management/staff financial participation in the business.

A decision on privatisation, he said, must take account of the costs and benefits to the Government including the marketable value of the organisation and the effects on other Government departments.

Share offer aimed at boosting love and justice

By Richard Tomkins

A BRITISH importer of Third World prodncts is pricking investors' consciences with a share offer aimed at helping increase "love, justice and equity" in international trade.

Traidcraft, a company based in Gateshead, Tyneside, was founded in 1979 to work for fairer trading systems with poor countries by setting a practical example. It imports and markets products such as tea and coffee, handicrafts, textiles and carpets.

From a quoted company's point of view, its example lacks obvious appeal: pre-tax profits, after five years of steady progress to £59,000 in 1985, swung to a £51,000 deficit in the year to last March on turnover up from £2m to £2.7m.

Traidcraft, bowever, is not a quoted company. It is controlled by a charitable trust called Traidcraft Exchange whose objective is to apply Christian ethics to international trade, and it does not want to make large profits.

Last year's losses were apparently caused hy the cost of developing new products and investment in the company's education programme, which is aimed at informing the public abont fair trade. However, Traidcraft is expecting a modest surplus for the current year.

Traidcraft says it has sold more than £9m-worth of prodncts in the last seven years, mostly from community-based projects in developing countries. Its work supports more than 6,000 people in the poorest countries and it is making its £1.15m share offer so that it can finance further growth withont the need for high profits.

Some 1m non-voting B shares are being issued at £1.15 a share, bnt the company warns they should not be regarded as an investment for profit.

The company says the offer is adimed at people who are interested in the well-being of the weak and disadvantaged. However, there will be a gross dividend yield of np to 6 per cent, and investments of £500 or more will be eligible for tax relief under the business expansion scheme.

David Thomas on plans to attract private capital to the mail industry

Post Office ponders joint ventures

SENIOR Post Office managers are busy pondering the implications of an instruction they received this week from Mr Paul Channon, Trade and Industry Secretary, to consider using private capital.

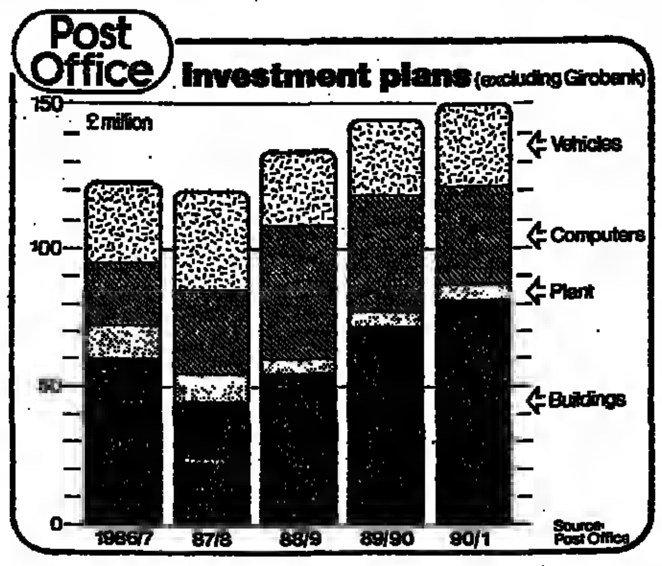
Their first reaction was defensive: No, the instruction did not herald the privatisation of all or parts of the business, a move long feared by union leaders.

Department of Trade and Industry officials were equally categorical on this.

But the next reaction at the Post Office's Victoria headquarters was one of interest. After all, on the day Mr Channon gave his instruction, Sir Ron Dearing, Post Office chairman, was complaining that the external financing limit and the limit on capital spending set by the Government were constraining the corporation's investment plans.

So why not agree to some joint ventures with the private sector to attract cash for the Post Office's modernisation?

For the moment, the Post Office is keeping its counsel about the best prospects for such ventures. But its investment plans encompass several areas where there is potential for risk-sharing with the private sector. They include:



● Property: The Post Office uses buildings on a huge scale, much of its capital investment over the next five years will go on buildings. Some form of private capital participation in its property development, perhaps on a sale and lease back basis, could prove helpful.

● Equipment development: Much of the research on more effective equipment such as coding and sorting machines, is carried out by the Post Office, which would keep the patents.

The Post Office's main suppliers—companies like Frazer Nash, the electronics and engineering group, Plessey and GEC, could share more of the development costs, in return for some share of the returns.

● Counter automation: The Post Office intends to agree main contracts for its counter automation plans in the autumn. The first phase will cost £60m over five years. Again, this would appear to be a candidate for risk sharing.

● Premium services: The Post Office has plans to develop its premium services. For example, it wants to extend the coverage of its next-day Datapost service within Europe and the US. Private capital could participate in these relatively discrete services.

With National Girobank, the Post Office's banking subsidiary, the opportunities for joint ventures are perhaps even more abundant. Over the past three years, it has started to broaden its services, often in partnership with the private sector.

It has a 20 per cent stake in the Link cash dispensing service, giving it more comprehensive national coverage than it would have developed by itself. It launched its Visa service with the help of Barclays.

Mr Malcolm Williamson, Girobank managing director, has plans for more services, starting with mortgages in the autumn, for which Girobank will be in partnership with Segwick, the insurance broker.

Other proposals Girobank is considering include a high interest deposit account; improved overdraft facilities; new types of plastic card account; marketing the new Personal Equity Plans; and getting into unit trusts.

Some of these would have to be the product of joint ventures. Girobank is not thinking of setting up its own unit trust operation, but marketing existing unit trusts in Post Offices, with final transactions being done over the phone. "We're trying to turn Girobank into a mail order by telephone company," explains Mr Williamson.

There is plenty of potential for joint ventures with the private sector. Ironically, the problems may lie in two areas within government control.

First, there is little point, from the Post Office's viewpoint, in attracting private capital if the Government's immediate response is to increase the corporation's external financing limit. It is not clear whether the Government would be flexible on this.

Second, the Post Office is prevented by law from dealing with the private sector in certain areas. For instance, it would need a change in the law to start offering airline tickets or theatre tickets.

The Post Office might bounce a few demands of its own back to Mr Channon when replying to his instruction.

Royal Assents close Commons session

BY JOHN HUNT

A TOTAL of 17 bills, many of them major and controversial measures, received the Royal Assent yesterday, bringing to an end a busy Commons session which had clogged the legislative machinery.

The Social Security Bill, on which the Government had to reverse important amendments by the Lords, was one of the main items to become law.

It changes profoundly the State earnings-related pension scheme and amends housing benefits, among many other provisions. One clause which attracted particular opposition means that people on supplementary benefit will no longer be able to claim a full rebate of their local authority rates.

Mr Michael Meacher, the Labour Party's social security spokesman, said yesterday that, if his party comes to power before the Bill is implemented in 1988, it will block the measure. If it comes to office later, it would repeal the bulk of it.

He described it as "the most callous and outrageous example of the Tories' new 'caring capitalism.'"

However, Mr Norman Fowler, the Social Services Secretary, described it as the most fundamental review of social security since the second world war, and said it would direct help more effectively to people who need it most.

Another controversial measure to become law was the Wages Bill which removes workers under 21 from the protection of Wages Councils.

Mr Kenneth Clarke, Paymaster-General, claimed yesterday that it would create jobs for young people and encourage enterprise by lifting from business the burden of complex orders by the councils.

Others receiving the Royal Assent were the Gas Act that privatises the gas industry, the Finance Act that implements the Budget, the Dockyard Services Act that transfers the Royal Dockyards to commercial management, the Insolvency Act, the Crown Agents (Amendment) Act and the Company Directors (Disqualification) Act.

There are, however, still several major bills before the House of Lords. These will be dealt with next week and in the overspill period later in the summer.

These include the Financial Services Bill, to effect self-regulation in the City in preparation for the Big Bang.

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Teachers reject salary plan but talks continue

BY DAVID BRINDLE

THE TEACHING unions yesterday rejected pay proposals tabled at the opening of weekend negotiations on a new employment contract and salary structure for teachers in England and Wales.

However, there were signs that the unions and education authority leaders were equally determined to progress towards an agreement and to compromise.

The education authorities' proposals would add at least £650m to the annual pay bill through the phasing in over a five-year period of a revised salary structure. Excluding yearly cost of living increases, this would increase salary costs alone by 11.7 per cent.

In addition there would be further unspecified costs through the "significant manpower implications" expected to result from the planned contract changes.

At the opening of negotiations at a Coventry hotel yesterday, the unions were united in rejection of the salary figures. These would give starting pay of £7,600 a year and a main professional grade for most teachers ranging from £9,600 to £14,000.

After indications that these figures could be reviewed, discussion moved to contract issues, and concentrated on two questions.

First, the unions pressed for employer concessions on teachers' obligations to cover for absent colleagues. Second, they demanded contractual limits on class size and teaching time, allowing for non-contact or non-teaching periods.

In their proposals the employers are offering non-contact time of two hours a week for secondary school teachers only, warning that extending this to the primary sector, would have "significant implications" for staff members.

On class size, the employers are accepting the principle of specified maximums but propose only to issue advice to education authorities after consultation with the unions.

Mr John Pearman, the employers' leader, said he wanted to reach "heads of agreement" this weekend for further talks in the summer. He described the political and financial pressures on the talks as "very high."

Any agreement emerging from the negotiations will go to the Government for funding approval. Ministers are sticking to their earlier offer of up to £450m a year extra.

Tass votes for action at Lucas

BY HELEN HAGUE, LABOUR STAFF

MEMBERS of Tass, the manufacturing industry union, have voted by a three to one majority to begin a programme of limited industrial action for a bigger pay offer from Lucas Industries, the motor and aerospace components group.

The company has offered pay increases of between 3 and 5 per cent, says the union, which claims a 12 per cent rise on basic rates across the board.

Since the offer was made on Monday, the union has consulted its members, of whom 2,333 rejected the offer and 433 accepted. Those voting against also endorsed a package of industrial action, to include withdrawal of key sections for limited periods and selective half-day stoppages.

During earlier negotiations, the company had made a radical proposal which Tass claimed would allow plant managers to choose who would get a pay rise this year.

The union says this was dropped this week, as a precondition for pay talks, but emphasised that the pay offer was completely unacceptable.

It plans to impose sanctions at work next week and is seeking a co-ordinated approach on pay with the two other white collar unions represented at Lucas—ASTMS and APEX.

Mr Chris Darke, a Tass national officer, said yesterday: "The union's members have decisively endorsed their negotiating committee's recommendation to reject the company's offer, which Lucas said was as far as it was prepared to go."

No-one at the company was available for comment last night.

BBC TV technicians' dispute settled

BY OUR LABOUR STAFF

A FORMULA aimed to settle the long dispute between the BBC and more than 50 vision-mixing technicians has been agreed.

The BBC and the Broadcasting and Entertainments Trade Alliance agreed during lengthy talks at the Advisory, Conciliation and Arbitration Service.

The Corporation has agreed to conduct a full review of the vision-mixers' job and their department's overall structure.

A report will go to the alliance by the beginning of next year. There will be no further industrial action meanwhile by the technicians.

A re-emergence of the dispute, which is mainly about a grading claim, had threatened to disrupt television coverage of the Commonwealth Games.

The dispute last flared in March when vision-mixers staged a 24-hour stoppage. They are responsible for split-screen effects, captions and other superimposed TV images.

After the March stoppage, both sides agreed to binding arbitration by Acas, which rejected the technicians' claim for higher grades.

Since then, though, vision-mixers have refused to carry out certain duties.

There are 32 vision-mixers based in London and more than 20 in the regions.

Move to halt prison governors' defection

By David Brindle, Labour Correspondent

LEADERS OF the Society of Civil and Public Servants moved yesterday, to try to prevent defection from the union by 500 prison governors.

A meeting of the SCPS executive council called for talks with the governors, who have been considering proposals for a breakaway "non-political" union.

Mr Leslie Christie, SCPS general secretary, said last night: "We believe we can find a system that can meet most of their concerns. Our record on representing them stands any comparison."

The issue came to a head after Mr Christie cancelled a meeting of the prison governors section, due to have been held this week to discuss service conditions, when it was learned that the possibility of leaving the union was also to be considered.

There has been friction between the prison governors and the SCPS Home Office group, within which they fall. This began over the nature of evidence to be submitted to a government review on prison management.

It is also likely that there has been unease among the prison governors over the political stance of the union which, though not affiliated to the Labour Party, is regarded as being strongly left wing.

● The SCPS executive yesterday refused to improve pay offers to two groups of the staff who brought the work of the union to a halt on Thursday with a one-day strike.

The strike, staged by the entire branch of the white-collar union Apex, the staff's union, was followed yesterday by the start of a work to rule by the employees in dispute—negotiating officers and executive assistants.

The executive has offered the executive assistants 8.6 per cent on the basis of an index-linked formula.

The negotiating officers have been offered 6 per cent, the same as SCPS members, with an alternative option to consolidate overtime payments in an 11.3 per cent package.

ICI unions to vote on strike over pay

BY HELEN HAGUE, LABOUR STAFF

MORE THAN 30,000 Imperial Chemical Industries manual workers are to be balloted on strike action after pay negotiations broke down yesterday.

The company's 5.3 per cent offer has already been rejected by the six unions which make up the negotiating team after consultation with members at more than 60 British plants.

Management originally offered a 4.4 per cent rise. It refused yesterday to increase the offer—said to be worth between £8 and £9 a week.

Mr Fred Higgs, acting secretary for the Transport and General Workers' Union's chemical trades group, which represents 14,000 ICI manual workers, said a yes vote for industrial action would have a huge impact on British manufacturing industry. ICI is the largest supplier of chemicals to industry.

He said the unions had been forced into holding membership ballots on industrial action because the company has refused to increase its offer in the face of an earlier rejection.

ICI said yesterday it was disappointed with the union's response. It believed the offer was realistic, considering falling inflation.

The annual pay deal runs from June each year. Last year the unions settled at the management's final offer of 7.5 per cent.

In May this year the Chemical Industries Association, which represents companies such as BP Chemicals, Albright and Wilson and Laporte, reached a pay deal with the unions which gave a 5.3-per-cent rise in new money plus a 2.1-per-cent rise made up of consolidating existing payments into basic rates.

The unions are the TGWU, the electricians union EETPU, the Amalgamated Union of Engineering Workers, the General, Municipal and Boilermakers' Union, the construction workers' union Ucatt and Tass, the manufacturing union.

Sham 'Post' plan denied

BY OUR LABOUR STAFF

THE PRINT unions never had any intention of agreeing to their members working at News International's plant at Wapping, east London, it was claimed in the High Court yesterday.

Mr Anthony Grabiner, QC, for six companies in the News International group and an advertising manager on The Times, said: "The unions never seriously intended to make a deal with Mr Rupert Murdoch."

He was making submissions on the 12th day of the hearing of the companies' claim for injunctions banning the unions from organising anything except a lawful picket of six at the Wapping plant.

Sogat '82, the National Graphical Association and six union officials are fighting the move, claiming that they have condemned and not encouraged picket line violence at the plant.

Mr Grabiner's comments came in response to the unions' contention that the News International companies should not be granted injunctions because they had not come to court with "clean hands."

He disputed allegations that News International witnesses had misled the court and "duped" the unions by a "sham" plan to print a new London evening paper, the Post, at Wapping while in reality planning to transfer the companies' entire London printing operations there.

Miners' pay ruling reserved

THE EMPLOYMENT Appeal Tribunal yesterday reserved judgment on a bid by the National Coal Board to overturn a ruling that it acted unlawfully by withholding a pay rise from the National Union of Mineworkers at a Leicestershire colliery.

The tribunal, presided over by Mr Justice Popplewell, will give judgment on Thursday.

The board is appealing against an industrial tribunal ruling in May that it broke the 1978 Employment Protection Act by refusing NUM miners a £5.50 a week pay rise already being paid to members of the Moderate Union of Democratic Mineworkers.

Deputy chairman at Lucas Industries

LUCAS INDUSTRIES has appointed Mr A. K. (Tony) Gill as deputy chairman from August 1. He will continue in his current role as group managing director in addition to the wider responsibilities of his new appointment. Mr Gill was appointed joint group managing director in 1980 and in this role he became chairman of Lucas Aerospace, Lucas Girling, Lucas CAV and Lucas Industries Inc (North America). In January 1984 he became chairman of the other Lucas major subsidiaries Lucas Electrical, Lucas World Service, Rists and Lucas Industrial Systems.

*

Mr Peter Parsons has been promoted to managing director for Europe, the Middle East and Scandinavia for US TOBACCO INTERNATIONAL, part of US Tobacco. Mr Parsons was formerly regional director UK, Scandinavia, Africa, France and Germany. He succeeds Mr Joe Taddeo who is returning to US Tobacco International's headquarters in the US where he will be responsible for the company's European and Middle East as well as Central and South American operations. Mr John Walker, European marketing director, has been promoted to regional director for the UK, Scandinavia and Africa.

*

STAFFORD KNIGHT AND CO, Lloyd's Brokers has made Mr John Hart joint managing director. Mr Hart retains his position as managing director of Smallwood Taylor Insurance Brokers. Mr James Dunford is appointed a director.

*

Mr Peter Shaw has become group accountant at THE BARSHOP GROUP. Before joining Barshop, Mr Shaw was a management accountant with a local building society.

*

AT ARTIX Mr David N. Clarke has become managing director. He joins Artix from Sheffield Forgemaster Holdings where he was managing director. Mr D. J. B. Brown relinquishes the title of managing director but remains as chairman.

*

SIMON ENGINEERING has appointed Mr Ralph Parsons as finance director of its contracting group. He was formerly finance director of Stothert & Pitt.

*

Mr J. Kenneth Gledhill has been appointed managing director of HENRY BOOT DEVELOPMENTS, the property development company of Henry Boot & Sons. Prior to this appointment Mr Gledhill had been executive director of the development company since 1982.

*

CROWN FINANCIAL MANAGEMENT has appointed Mr Michael Christophers a director and general manager. In addition to his existing responsibility for administration and actuarial, his new role will include responsibility for training, human resources and DP/Infotech.

*

Mr Robin Young has been appointed a director of THE SECURITIES TRUST OF SCOTLAND. He is a director of Martin Currie, the independent Edinburgh investment managers.

*

The initial boards of the four new banking companies—TSB ENGLAND & WALES, TSB SCOTLAND, TSB NORTHERN IRELAND and TSB CHANNEL ISLANDS—have been appointed. The companies were established following the restructuring of the TSB Group.

At England & Wales Mr Nigel Robson has become chairman, and Mr George Burnett and Mr Kenneth Millichip deputy chairmen. Mr Alistair Boyd, Mr Brian Cooper, Mr Leonard Corp, Mr Kelvin Mills, Mr Leslie Priestley (chief general manager) are executive directors. Mr Neville Barkes, Lord Bruce-Gardyne, Mr Philip Charlton and Sir John Read have been appointed non-executive directors.

The TSB Scotland board is as follows: Mr Richard Ellis, chairman, Mr Forbes Macpherson, deputy chairman, Mr Anthony Davidson, Mr Alistair Dempster, Mr Ian Macdonald (chief general manager), Mr David McLean and Mr Eric Wilson, executive directors. Mr Lyndon Bolton, Mr Philip Charlton, Mr John Cradock, Mr Edward Cunningham, Mrs Margaret Hook, Mr Ronald Macpherson and Sir Jack Stewart-Clark have been made non-executive directors.

Mr Stanley Rainey has been appointed chairman of TSB Northern Ireland and Mr William Carson has become deputy chairman. The executive directors are Mr Francis Cushnahan, Mr Walter Green, Mr Bryan Johnston (general manager) and the non-executive directors are Mr Philip Charlton, Mr David Fawcett, Mr Edward Johnston, Mr Thomas King, Mr Eric Martin, Mr Eric McDowell, Mr Andrew Russell, Mr Robert Toland and Mr Elliott Wilson.

At TSB Channel Islands, Mr Reginald Jeune is chairman and Mr Dennis Creasey deputy chairman. Mr David Gibson, Mr Moore Harvey (general manager) and Mr George McD. Thain are executive directors. Mr Peter Blampied, Mr Philip Charlton, Mr Peter Harwood, Mr Donald Le Boutillier, Mr Rodney Ficot, Mr Ronald de Putron and Mr Harry Taylor have been appointed non-executive directors.

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Bad times for market gurus

THE MIDSUMMER blues which are spreading from Wall Street to most financial markets are partly a response to reality, but partly a loss of self-confidence. Official and unofficial growth forecasts are being revised downwards, and profits forecasts are being trimmed rather more sharply; but this does little more than bring the forecasts into line with the realities which businessmen (and readers of these columns) should have anticipated all along. The experience of flat output and desperately competitive product markets has never looked remotely like the boom the markets seem to have imagined.

For the gurus who lead market opinion, however, the disappointment has been sharp, and the reaction tends therefore to be exaggerated. The same analysts who were preaching the joys of disinflation not much more than a month ago now talk grimly of the perils of deflation; the innocent might find it hard to realise that these are two aspects of the same process.

The delusion which market gurus find it almost impossible to resist is that what is good for the financial markets is also good *for the real economy*. The end of inflation is indeed good for financial asset values, as they have always argued; bonds promise a real income, and restrictive government policies which have inhibited real growth can be relaxed. However, the squeeze which so drastically reduced inflation had an impact on the real world too. This seems to have escaped the gurus, who mistook the relief of slow convalescence for bounding good health, and dressed up their over-optimism in a lot of rather fanciful theories.

Regional decline

The truth about the real world is not particularly encouraging, but it certainly need not prove disastrous. There is a growth recession, which can be contained, given sensible policy responses. It reflects mainly a sharp fall in investment demand. This is partly the result of deliberate policies, *since administrators always find investment the easiest target when government calls for economy*, partly because of technical and political problems in the capital-intensive energy field, and partly because the world-wide shift to the service economy has depressed the demand for *physical commodities* and *the* ships and vehicles which take them to market.

This shift in the balance of demand is also one of the struc*tural problems which are setting* far tougher problems for policymakers. High unemployment seems to be endemic in most of the developed world, and is expected to get worse, according to the industrialists surveyed by this newspaper this week. The problems of regional decline are also obstinate, and those of the commodity-producing countries of the third world the most pressing and insoluble of all.

Free markets in goods and capital, which perform magnificently in responding to growing demand, and in encouraging innovation and efficiency, are much less good at addressing social and structural problems. There is now a growing interest, most remarkably in President Reagan's America, in a more interventionist approach to economic management.

Thus while Mr Volcker calls with increasing urgency for international co-operation on growth policy, lest the US should be pushed into depression in its efforts to get out of debt, Mr James Baker has put together a refinancing plan for Mexico of which Lord Keynes might have approved enthusiastically. It aims, in short, to use official finance to offset shocks from the market—poor commodity prices or disappointing growth—rather than to reinforce market trends, as commercial capital flows tend to do.

Governments can also try to set their own structural houses in order, as President Sarney of Brazil showed dramatically this week. He intends to intervene massively to divert income from rich consumers to the poor.

Market reaction

In the longer run Japan, which has always given the Government a strong role in steering economic development, plans to embark on another of those transformations which have made it the home of economic miracles. In the short run, Mr Nakasone or any likely successor will intervene, probably rather modestly, to push growth up from its recently forecast level of 1½-2 per cent; but at the same time there is a slower-moving plan to change the whole emphasis of the economy from targeted exports to home consumption.

This new activism among governments, and the loss of self-confidence in the financial markets, will probably be seen as a helpful restoration of balance in the not too distant future. The young men who write brokers' circulars have not, after all, done a notably good job in running the world economy, and pragmatism is not a four-letter word. And for the time being the new pessimism will at least free governments from any fear of adverse market reaction if they do decide that the world economy needs a stimulus. Those worried about the world economy should watch the governments rather than the markets.

GRADUATE RECRUITMENT

The great education mismatch

WHERE HAVE all the graduates gone?", is a question that many employers in Britain are asking this summer. The universities, polytechnics and other higher educational institutions have awarded bachelor's degrees to more than 100,000 young people. But some organisations are finding it hard to sign up the graduate recruits they want.

The *shortages, arising after a* period when demand for graduates was depressed, have brought a gleam to the eye of some academic pressure groups. They have redoubled their calls for the Government to stop restraining the higher education service and embark on further expansion.

It is not only the shortfall of degree-winners that causes problems for recruiters. While some employers are likely to end the year with empty desks in their offices, it is even more probable that at the same time over 10,000 new graduates in Britain will not have got a job of more than short-term duration.

The main reason for the imbalance between supply and demand is that some people whom the academic system thinks worthy of a degree are not to the liking of employers in the market, and vice versa.

But the mismatch itself arises from a variety of causes. They include reluctance among degree-winners to sign up for a job in haste, allegedly over-rigid selection criteria on the part of recruiters and, above all, poor self-marketing both by organisations and by students.

What students do after getting their degrees is shown in the accompanying table. It compares university and poly graduates in 1985 (the latest year for which statistics are available) with those of 1980. In both cases, students of medicine and related topics are excluded.

In 1985 the total was 95,833 against 82,237 five years before. So for every 1,000 new graduates last year, there were only 858 in 1980. What happened to a typical 1,000 in 1985 is shown on the left of the table, and the whereabouts of the corresponding 858 in 1980 are shown in the middle. The pluses and minuses on the right show by how much the number going to each destination last year had risen or fallen by comparison with 1980.

By the end of the calendar year when universities and polys make their counts they have lost track of some degree-winners. Of the typical 1,000 in 1985, 134 had disappeared against 106 of the 858 half a decade previously.

Compared with 1980, the number of graduates going abroad in 1985, including foreign students returning home, was rather lower. The entry to teacher-training fell more sharply.

The numbers of those unemployed, not available to take a job or in work expected to last no more than about three months, increased. The 138 people in this "at best short-term UK job" category in 1985 consisted of 46 arts graduates, 45 with social studies degrees, 34 pure scientists and 13 applied scientists.

As a result, fewer than half the totals in each year were known to have taken "permanent" jobs in the UK. The share doing so last year was 46.3 per cent, about five percentage points up on the corresponding share in 1980.

All types of work had increased intakes. The biggest rise was in financial work which last year had 84 entrants, more than half of them joining chartered accountancy firms. Of the 84, five had taken applied science, a dozen arts, 19 theoretical science and 48 social studies which include accountancy courses as well as economics and management.

The second biggest rise was in research, design and development whose 81 entrants in 1985 included 55 engineers and technologists and two dozen science graduates. The category with the third biggest increase was management services, such as computer work and technical support jobs, whose 56 entrants included 39 pure scientists and nine from applied science courses.

Both of the last two categories are therefore heavy absorbers of numerate graduates with an understanding of advanced technology.

"The trouble is that a lot of youngsters disqualify themselves for jobs in technology by dropping numerate subjects at school," says Mr Brian Steptoe, director of the London University careers service. "Our education system encourages too many pupils to specialise in either arts or sciences too young."

Another reason for the excess demand for numerate graduates is increased competition from the City, where some firms are offering perks as well as salaries well above the norm as they prepare for October's Big Bang.

Even so, the several thousand degree winners without regular work at the end of the year will almost certainly include many scientists, both pure and applied. The reason is that technical and academic knowledge is no longer enough to get a job.

Mr Jeffrey Stretch, responsible for recruitment at K Shoes based in Kendal, says he is typical in demanding evidence of teamwork ability and the drive to get things done. "We insist on those personal qualities and we haven't yet secured the people we want for production posts, though. I've seen several candidates technically up to scratch. We've also preferred to leave ourselves two short of the 13 we wanted for the retail side."

He shares the belief of other personnel chiefs that with plenty of jobs on offer this year, many graduates have decided to take a holiday before signing themselves up.

At London University—Britain's biggest producer of graduates—Mr Steptoe says that of the 250 employers initially planning to recruit on the campus, 35 withdrew because few students applied to see them. "Interest has picked up a bit since. Nearly 7,000 graduates came to our three-day recruitment fair this month. But even then the interest seemed stronger on the employers' side.

"I suspect some of the shortages are partly the employers' own fault. They are often too rigid in the criteria they apply when scanning application forms and in interviews. They over-react to the odd spelling mistake, for instance."

Hewlett-Packard is one of *the companies which have* had no trouble in filling their recruitment quotas. But Mr Peter Ward, the UK personnel director, denies that its selection criteria *are less stringent* than the norm. "We're hot on personal attributes as well as intellectual strength, and we don't want people who're any *more afraid of computers than* they would be of pencil boxes.

"I'd say the reason we've been successful is that we positively market ourselves not just to students but to staff. And we do it all the year round."

Mr Angus Clark, personnel director of Sainsbury's, which has also signed all the graduates it wants, agrees that marketing all year round is a key factor. "We've no shortages. The only ones that worry us are not in the industry at all. They're in the intake to teacher training. Too few good people taking up schoolteaching now can only damage employers' prospects of getting good recruits later on."

The same concern is shared by many other company chiefs, including some with quotas still not filled. But although employers may have some role in helping to improve teacher training, solving the problem depends on Mr Kenneth Baker, the Education Secretary.

To ensure success he will need not only to weld central Government and local authorities together in a co-ordinated teacher-recruitment effort, but to change school staff's job conditions so higher pay can be offered to desperately needed specialists in sciences, technology, crafts and design.

Michael Dixon
Education Correspondent

High spirits in Oxford

HOW THEY FARED

	1985	1980	Increase (+) or decrease (−) from 1980 to 1985
Arts subjects	263	237	+ 26
Social studies	313	269	+ 44
Science	252	199	+ 53
Applied science	172	153	+ 19
Total	1,000	858	+142
Untraceable	134	106	+ 28
Whereabouts known	866	752	+114
Returned or went overseas	60	69	− 9
Teacher-training	42	67	− 25
Other education/training	163	147	+ 16
At best short-term UK job	138	116	+ 22
	403	399	+ 4
Took "permanent" UK job in:			
Administration and planning	73	59	+ 14
Research and development	81	62	+ 19
Management services, etc	56	39	+ 17
Marketing and purchasing	42	27	+ 15
Financial work	84	63	+ 21
Welfare and personnel work	42	36	+ 6
Teaching	26	23	+ 3
Miscellaneous	59	44	+ 15
	463	353	+110

Last year UK universities and polytechnics produced 95,833 new graduates in subjects other than medicine—1,000 for every 858 produced five years before. The table shows the whereabouts of typical cross-sections of the 1985 and 1980 degree-winners six months after they graduated.

THE CITY PREPARES TO LOOK FURTHER AFIELD

"GRADUATES?", says Mr Tony Lewis, the 58-year-old veteran of three decades on the London Stock Exchange floor who last year earned at least £200,000 as chairman of Smith New Court, the stockjobber. "Graduates? Once upon a time there would have been no room for them in a trading operation like ours."

Mr Lewis, who was brought up in Golders Green, North London, started at 16 the jobber's classic apprenticeship as office boy, then messenger and book-keeper.

Among the jobbing fraternity — the people at the sharpest end of the capital markets — a university education was until *recently* seen at *best as* an irrelevance to the serious work of deal-making, and at worst a positive handicap.

Mr Lewis, in fact, cannot name a single graduate among Smith New Court's 80 or 90 London traders — though, he hastens to add, that does not mean that there are none.

His newer rivals in the changing City — and especially the US and Japanese securities houses — *take a different* stance. Statistics are hard to come by, but there are signs of a sharp rise in graduate intake this year by the financial *institutions which join* the 25-year-old recruitment "milk round" through British universities.

Careers officers at Cambridge, *for instance, estimate* that up to 1985 they were notified each year of about 500 banking and financial vacancies for graduates.

This year, the figure rose by roughly 25 per cent.

Most striking of all, this year's recruitment drive included a surge in the demand for graduates as traders—whether of UK equities, or of Eurobonds and other more *arcane* financial instruments.

"Three years ago, there was virtually no formal graduate recruitment into trading," says Mr Nicholas Coope, a Cambridge University careers adviser. In 1985, notified trading vacancies reached 15—and that figure doubled this year.

October's Big Bang is not the direct catalyst for this expansion. Rather, different trends have converged to intensify the competition for graduates.

First, the merchant banks have edged up recruitment in line with a long-term increase in staff overseas, in booming corporate finance work or their growing securities arms.

Second, the expanding London branches of US and *Japanese* securities houses see willing young graduate trainees as an answer to the shortage of expert staff that has driven up City salaries as their London operations expand.

And, third, take-overs of Stock Exchange firms by British and American banks have brought brokers' and jobbers' *recruitment firmly* into the milk round—with Kleinwort Benson, for instance, recruiting 25 graduates this year.

Perhaps inevitably, price competition for the brightest recruits has sharpened—and skewered the informal graduates' salary cartel operated by the member merchant banks of the Accepting Houses Committee. Until this year, a sub-committee of personnel managers used to *agree* a bench-mark.

This year, the figure was set at £10,000 per annum. But in February, the agreement began to fall apart as Kleinwort Benson—whose personnel director had chaired the sub-committee—broke free. An S. G. Warburg interviewer at Durham University discovered that Kleinwort was offering an extra £2,000 summer travel bursary bonus to undergraduates who signed up early.

UK merchant banks were already slipping behind US international banks—which this year are offering graduates about £12,000—and the American investment banks which are paying £14,000-£15,000.

"The *market* had moved, *and* we felt we had not moved as far," says Mr George Allford, Kleinwort's assistant personnel director.

There was a still more disturbing problem for Kleinwort. In spite of receiving 1000 job applications from undergraduates this year, Mr Allford *found* many were *unenthusiastic*.

In future, City recruiters will cast even further afield to get the best talent—beyond Oxbridge, which has dominated recruitment *simply* because its well-briefed students make the most applications.

Nick Bunker

Man in the News

King Hassan of Morocco

Sun king with a diplomat's touch

By Francis Ghilès

THIS WEEK'S meeting between King Hassan of Morocco and the Israeli Prime Minister, Mr Shimon Peres, is less surprising than it seems at first sight.

The protection traditionally afforded to the Jewish subjects of Moroccan *sultans runs* deeply in Moroccan history and Hassan has on more than one occasion reminded his Arab peers that no law forbids a man to talk to *his enemies*.

Unlike President Anwar Sadat's visit to Jerusalem 10 years ago, which was born of desperation, King Hassan's move is a calculated gamble. The king enjoys uniquely good relations with most of the actors in the Middle East and holds the further advantage of maximum distance *from* centre of stage in the Arab Israeli conflict.

King Hassan has been on the throne of one of the world's oldest *monarchies for a quarter* of a century and has one of the coolest political heads in the Middle East. "Tell them the Sultan is dead," he ordered his *pilot to* shout over the radio to rebel officers at Rabat control tower after the aircraft in which he was travelling back to his capital from France was attacked by dissident Moroccan pilots, in August 1972.

As the King stepped off the plane, the rebels started firing again but missed him. When he *reached the airport* lounge, they fell to their knees to kiss the hem of their monarch's robe and to beg forgiveness.

Coming 12 months after his *narrow escape from another* attempted coup, which killed many of the guests assembled to celebrate his birthday at the seaside palace of Skhirat, between Rabat and Casablanca, the events of 1972 made the monarch's "baraka" (good luck) legendary.

Hassan is, after all, scion of the more than 300 year old Alaoui dynasty which hails from the Tafilalt which lies on the edge of the Sahara and a *region from* which most of the great dynasties which have ruled Morocco have sprung. He is a descendent of the prophet, he is Amir of Mu'minin (Commander of the Faithful) and Khalifat Allah Fi'l ard (Allah's deputy on earth).

The Moroccan monarchy goes back over 1,000 years and all Hassan's 24m or 25m subjects are deeply proud of their *country's history*. Fez remains one of the glories of the Islamic world, its palaces built by the same architects who built the Alhambra in Granada and the Giralda in Seville.

While waiting for Mr Peres in his palace at Ifrane, a small skiing resort of Swiss style chalets high up among the cedar forests in the Middle Atlas mountains due south of Fez, the King was no doubt reducing his golf handicap.

He has been a keen golfer all his life and, years ago, was coached by a US pro, Claude Harmon, jnr, who went on to write a book entitled "The King and I," in which he marvelled at his pupil's mastery *of English sporting vocabulary*.

The monarch also speaks excellent French, *but* knows how to speak a clear and vigorous Arabic to his fellow Moroccans without the western gloss which has infected the mother tongue of some Arab leaders.

He has always enjoyed sailing close to the wind and remains a born gambler; his decision to occupy the Spanish colony of the Western Sahara in November 1975 as *General Franco* lay dying in Madrid, was perhaps his boldest move.

The occupation of the Western Sahara, launched by the famous "Green March," when hundreds of thousands of Moroccans waving the green flag of the prophet marched to the borders of southern Morocco, was made in defiance of the International Court of Justice and the United Nations. Ten years later, with the territory under firm Moroccan military control, the King could not *give a fig that* nearly 60 countries in the world have recognised the Saharan Arab Democratic Republic set up by the Polisario Liberation Front which has been fighting the Moroccan army.

In England, King Hassan is remembered as the only man who ever kept Queen Elizabeth waiting—during her state visit in the autumn of 1980.

Appointments with the King start after the monarch has woken up, usually towards the middle of the day, irrespective of the time they may have been pencilled in for. Some senior foreign bankers and politicians have left Morocco without ever holding their meetings. Such behaviour strikes many western visitors as rude but then "l'exactitude est la politesse des rois" was a rule invented at the court of the Sun King in Versailles, not one which ever prevailed at the court in Fez or Marrakesh.

King Hassan has other reasons for receiving Mr Peres. His highly opportunistic alliance with Colonel Gadaffi in August 1984 remains an acute embarrassment to a monarch whose relations with Washington have traditionally been close.

Aid and weapons from the US are vital, particularly at a time when the armaments used to contain Polisario attacks in the Western Sahara need renewing. Support *from* the US is also needed in renegotiating the Kingdom's foreign debt of $14bn which amounts to 112 per cent of GDP.

Nor can Mr Peres' visit do any harm to the king's relations with EEC countries.

As so often with King Hassan, perfect timing is of the essence while broader interest and more pressing needs are intertwined inextricably. In the wake of the breakdown in negotiations between Jordan and the PLO and in view of the total stalemate of the so-called Middle East "peace process," violating the taboo of open contact between Israeli and Arab leaders may yield some future dividends.

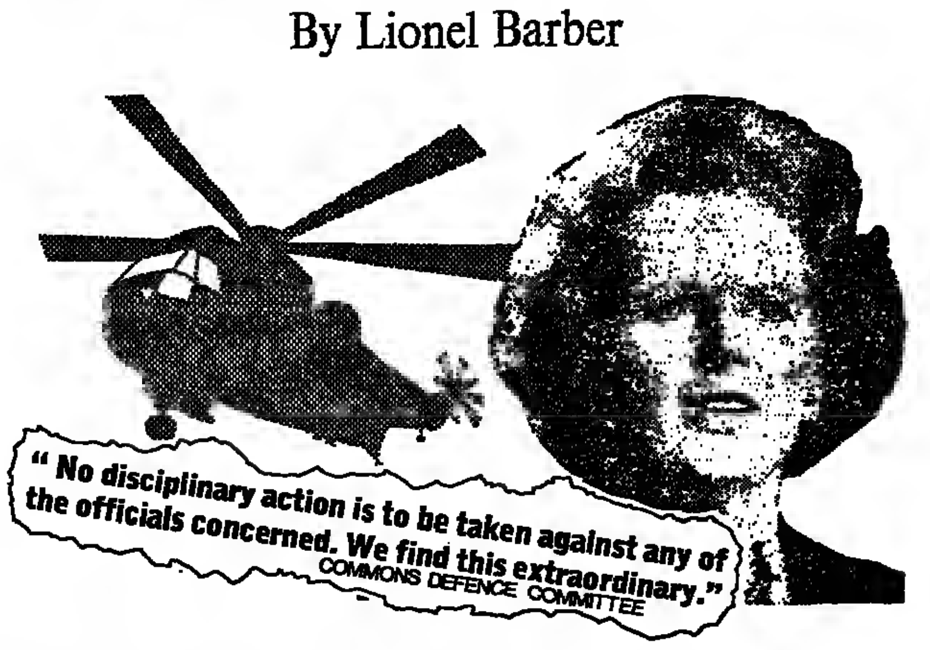
What is sure is that the Commander of the Faithful can look an Israeli Prime Minister in the eye with less fear of being accused of betraying Islam and the Arabs than virtually any *other* head of state in the Arab world.

هكذا من الأصل

THE GOVERNMENT AND WESTLAND

A ghost (still) in the machine

By Lionel Barber



IT HAS been said that the only ingredient the Westland affair lacked was a sex scandal. By one count, it involved at least 15 knights and seven peers of the realm, including some of Britain's leading industrialists.

Six months on, with the publication last week of the all-party Defence Select Committee inquiry into the affair, the spectre of Westland has come back to haunt Mrs Thatcher and her Government.

To the lay observer this must seem incredible. How was it that a near-bankrupt helicopter company in the West Country generated such ferocious in-fighting in Whitehall?

The Defence Committee's report can only hint at the answers since it confines its role to a description of events, most of which is familiar ground. It largely ignores the interplay of personalities, which provides the continuing fascination of the Westland affair.

One begins with Mr Michael Heseltine, a politician guided as much by instinct and passion as sound judgment. He is, as he confessed in an interview this week, a man who likes to win.

Last year, the former Defence Secretary had notched up a string of notable political successes: a £4bn contract to supply fighter aircraft to Saudi Arabia; British industry participation in contracts for the so-called US Star Wars programme; and, after three years of tortuous negotiations, a pan-European agreement (though excluding the French) to build a £20bn new fighter aircraft.

By mid-November, Mr Heseltine was in search of a fresh challenge. He found it in the unlikely form of the Westland helicopter company which at that time was searching for new partners to help in a capital reconstruction in order to stave off receivership.

It was Mr Heseltine's intervention on behalf of a European consortium rescue—against a rival offer from Sikorsky, the US helicopter maker, and Fiat of Italy which was favoured by Westland—which provided the catalyst for the extraordinary events which followed.

Yet Mr Heseltine's colleagues appear, even in the select committee report, to have been singularly unaware at the time of the dangers of giving him such free rein. The Defence Secretary was allowed to pump the Westland story into a ballooning controversy about the merits of European defence collaboration and British industrial policy.

The one person who recognised this was Sir John Cuckney, the former MI5 agent turned "company doctor." Sir John had been invited by the Bank of England in mid-summer to put together a rescue for Westland.

Sir John had no intention of allowing Mr Heseltine to foist upon him a rescue which he believed was not in the interests of the shareholders, the 10,000-strong workforce, or the banks which required a legally binding and coherent rescue in place by mid-December.

In retrospect, it is a tribute to Mr Heseltine's presentational skills that his alternative European rescue was ever taken seriously. Initially the European consortium had two members, Messerschmitt-Boelkow-Blohm of West Germany and Aerospatiale of France. The financially ailing Italian helicopter manufacturer, Agusta, had flirted with the notion of joining Sikorsky and had then limped along to join the French and Germans. After much cajoling by Mr Heseltine and his senior MoD officials, GEC and British Aerospace joined the consortium on December 9.

Perhaps Mrs Thatcher was aware of these flows when, after three ministerial meetings (one of which was in Cabinet committee) she curtailed further discussion. Mr Heseltine thought he had gained approval for a further Cabinet meeting on December 13. When it was cancelled, allegedly breaking the rules of Cabinet Government, it was in Mr Heseltine's curt summary: "War."

So why did Mrs Thatcher not deal with her turbulent priest? Why did she allow one of her closest supporters, Mr Leon Brittan, the Trade and Industry Secretary once described as having "too many brains and too little sense," to mix with a bruiser like Mr Heseltine?

At least one influential adviser to Mrs Thatcher—Mr John Wakeham, the Chief Whip—counselled caution in the interests of party unity. The plan was therefore two-fold: to allow Mr Heseltine to campaign in public (despite a half-hearted attempt to impose a collective ministerial gag following Westland's approval of the Sikorsky-Fiat deal) and, more deviously, to give the Defence Secretary enough rope to hang himself.

The problem was that Mr Heseltine fast turned into a charging rhinoceros, reducing collective Cabinet responsibility to a pile of rubble. In the highly charged atmosphere, with no prime ministerial authority being exercised and senior civil servants acting, in one informed observer's words, as "ministeriol errand boys," the Westland affair was an occident waiting to happen.

The selective leak by DTI officials of the Solicitor-General's letter implicitly questioning Mr Heseltine's arguments against the Sikorsky/Fiat deal, must be seen in this context. It was not as some suggest an aberration. It was entirely in tune with previous leaks and counter-briefings.

Such were the passions on both sides that no one could afford to lose face. This became doubly clear when the battle shifted to the City of London. The entry of Hanson Trust, the UK takeover specialist, was at least partly political in its motivation (though Hanson had taken several looks at Westland in early 1985). The role of the two Conservative peers who offered to procure a knighthood for the rumbustious former helicopter operator and European supporter Mr Alan Bristow, is a different example of misplaced loyalty to the Prime Minister.

In fact, it merely made Mr Bristow more determined to hold out. By upping his share stake, he was able to force a second shareholders' meeting resolved only by the appearance of six mystery shareholders (one resident in Uruguay, one in Los Angeles and one in Majorca) who finally swung their votes in favour of Sirkorsky/Fiat.

Whether these mystery buyers formed a secret (and therefore illegal) concert party or whether they were members of o "fan club" is one of the aspects of the Westland affair which has not been resolved satisfactorily, despite a lengthy Stock Exchange inquiry.

There are other unanswered questions, hardly surprising since the key civil servants involved in the leak were not allowed to give evidence to the committee. But in the light of the furore generated earlier this year, it remains a peculiarly British characteristic that a Stock Exchange inquiry, a Director of Public Prosecutions inquiry (into the alleged knighthood bribe), and a Cabinet Secretary's inquiry (into the circumstances of the leak) has yielded nothing of substance, not even a prosecution.

So what are the lessons of the affair, both for Westland and the Thatcher Government?

For Westland, life proceeds smoothly enough, contrary to the threats of the consortium. The MoD, having stated through Mr Heseltine that it had no need for the Black Hawk medium-weight helicopter (the crucial Sikorsky machine to be built under licence by Westland), now has an open mind.

As Sir John likes to point out, Westland is now properly capitalised following a rescue deal which has not cost the taxpayer a penny (though this ignores the Government write-off of £40m launch aid costs for the W30). Furthermore, one member of the consortium, GEC, now has just over 7 per cent of the shares.

For Mrs Thatcher and her ministers, things can never be quite the same again. Few will forget what happens when the machinery of government breaks down as it did, almost disastrously, over Christmas. Both Sir John and Mr Heseltine would argue, albeit from differing standpoints, that the Prime Minister must bear some responsibility.

So too, perhaps, must some of the senior civil servants, including Sir Robert Armstrong, the Cabinet Secretary and head of the Home Civil Service. One of the enduring mysteries is why there was no civil servants' cabal to counter the antics of the various government ministers. This may have something to do with the dual role of Sir Robert, who is also a servant of the Prime Minister. Whatever the case, the damage done to the government machine and prime ministerial authority will remain the legacy of the Westlabd affoir.

Tinker . . . . . tailor . . . . banker . . . broker

By David Lascelles

THE ECHO from the Big Bang is finally reaching Britain's high streets.

So far, the reform of the City of London has seemed distant, if not downright incomprehensible, to the man in the street. But in the months ahead, the ordinary British investor should begin to get a glimpse of what it is all about, particularly if he or she is a customer of one of the big clearing banks.

Barclays Bank gave a foretaste of what is to come this week by unveiling Barclayshare, a new retail stockbroking company which will spearhead Barclays' new drive into the personal investment market. The other clearers, NatWest, Midland and Lloyds are all preparing something along similar lines which will make some of their branches part-bank, part-stockbroker.

Whether people come to accept banks as the natural place to buy and sell shares should become clear over time. But the banks say that they are in the financial service business, and stockbroking is part of that.

Over the past two years, all the clearers have been building up big stockbroking and dealing operations in London to take advantage of the opening up of the Stock Exchange to new members and the abolition of fixed commissions. Barclays, Natwest and Midland have bought stockbroking and jobbing firms; Lloyds has built up its own.

But these operations have been directed mainly at the institutional market: large insurance companies and investment concerns which trade securities on a massive scale. Bankers have been much more cautious about aiming them at the retail market, partly because of the huge cost involved in setting up broking services in their branches, partly because—despite all the talk of Britain becoming a share-owning democracy—they could not be sure that private investors would use them.

But services of this kind are quite commonplace in other countries. In Switzerland, for example, where banks are the biggest stockbrokers, many branches display the latest share prices on screens in their windows and offer direct execution services inside.

In Britain, investors have been able to go to their banks for years to place, buy and sell orders. But though the banks

do a lot of business this way (NatWest processed 200,000 deals last year) it is not a genuine investment service. The banks merely pass the business on to a local stockbroker and collect a fee on the way, making it both inefficient and expensive.

The point about the latest changes is that banks will draw on their own investment research services to provide advice, and will execute the trades themselves either with their in-house market-makers or with whoever is offering the best prices.

"In the long run, what it should mean is that you will be able to get the kind of service you got from your stockbroker in London very much more on your own doorstep," says Mr Charles Villiers, the chief executive of NatWest Investment Bank (NWIB), the NatWest subsidiary which is one of the largest new investment banking groups created from Big Bang. "That will be done either through the bank's branches or directly at home via the TV screen or the telephone."

The first tentative step in this direction was taken three weeks ago when the Midland Bank opened a "share shop" in one of its Birmingham branches. The shop is equipped with Topic screens giving share prices, an Extel financial news-wire and research materials. It is operated by Smith Keen Cutler, a small Birmingham stockbroking firm belonging to the Midland Bank, which has a direct line into the Stock Exchange and aims to provide instant execution.

Mr David London, who runs it, claims it is doing brisk business despite the recent downturn in the stock market. But at this stage it may only be taking in business that would have gone to Midland anyway.

Barclays' scheme is more ambitious. Barclayshare will provide a broad investment service through, initially, about 150 Barclays branches with screens supplying the latest stock market news and prices, and research reports and an investment newsletter.

The service will be based on BZW, the new investment bank within the Barclays group which is a member of the Stock Exchange. Customers will either have one of the new Personal Equity Plan (PEP) accounts which will be run on a discretionary basis by Barclayshare, or a regular investment account which they can run themselves.

A key feature of Barclayshare is that customers will own shares through nominees, to cut out paperwork and enable Barclays to operate an automated book entry transfer system: instead of shuffling share certificates around, trades will be recorded as computer blips.

Shortly, NatWest will be launching a pilot scheme in half-a-dozen branches to test demand for a similar service based on NWIB. And when the British Gas flotation comes in November, it intends to offer customers a facility to buy and sell those shares through about 250 branches.

With their huge customer bases, banks would seem to have a head start, particularly if they devise ways of linking customers' banking and investment accounts along lines which have been very successful in the US. While the PEP scheme may offer only limited investment attractions, it gives the banks a ready-made product for their new services.

Whether it will be any cheaper to deal through a bank rather than a stockbroker remains to be seen. The banks are not making any extravagant promises. Mr Robin Hoyer Millar, chairman of Barclayshare, will only say: "We aim to be as competitive as we can be." The comment from Mr Villiers at NWIB is: "If the volume of business is there, then it should be cheaper. Clearly it depends on getting the throughput to justify the investment in technology."

Letters to the Editor

Taxation policy

From Mr S. Cohen

Sir,—The last few days bas seen the general thrust of Lahour personal taxation policy, should it win the next election with an outright majority. Without doubt, its proposals are designed to moke a direct appeal to voters who either respond to a "soak the rich" policy or who genuinely believe that the overage tax payer is no better off than be was in 1979, and that all the benefits of the Conservative reforms of taxation bave gone to the very rich.

The Chancellor will need to take what may be his last opportunity in his 1987 Budget to promote radical taxation reform along the lines which are now being considered in the United States. It should be possible to remove most ordinary taxpayers from the income tax and social security net, while at the same time reducing the top level of taxation to around 30 per cent. This could be accomplished by including all sources of income, such as capital gains, in the scope of income tax and by abolishing all tax shelters, including that in respect of mortgage interest.

At the same time, the individual charge to social security, which bears so heovily on the small taxpayer, should be transferred in its entirety to the employer.

While in the short-term such radical changes might represent an immediate losa of some £6bn-£7bn to the Revenue, thereby increasing the PSBR, the overall effect would be to reduce the disincentive to take on employment at comparatively low wagea as well as to increase the spending power of the vast majority of the population, thus improving the tax receipts from VAT on consumer sales. It is probable that this radical approach may well have the additional beneficial effect of reducing unemployment and thereby reducing the crippling cost to the state of unemployment benefit.

While the Chancellor has indicated his intention of reducing the standard rate by a few percentage points, this move will be equally costly in terms of loss of revenue and will have a minimal impact on the voter.

The Chancellor should seriously consider whether, by following the lead of the United States in personal taxation policy, he will not only benefit the United Kingdom economy as a whole but also vative Government at the next election.

Stewart S. Cohen.
24 Carlton House Terrace, SW1.

Food for thought

From Mr J. Hattersley and others

Sir,—Although many of the articles you publish clearly appeal to minority views few, if any, have been as pretentious at last Saturday's piece on supermarkets by David Sexton. Your correspondent clearly reflected those clique-isb and modish aspirations of the affluent south east which be had the temerity to mock gently in his introduction.

Having conceded that supermarkets are here to stay because "they are now where we go for . . . our basic needs" he then concentrates bis comparisons upon the avaliability of speciality cheese and exotic fruits. It is clearly news to him that the "inescopable Cambazola" is not available on every street corner throughout the land and that even if the Waitrose selection is less remarkable than that disployed by small cheese shops not every town as a small cheese shop with which to compare it. He seems to find it impossible to comprehend that ordinary ruman beings might actually like to drink British wines and his casual dismissal of the needs of the "tied, low income clientele" of the Co-op sits uncomfortably with hia assertion that ordinary people in search of a quick meal reach for the fresb pasta, pureed tomatoes and parmesan. Surely, most of us simply open the freezer or reach for a can. Indeed, it would appear that not even fresh pasta is acceptable; it needs to avoid being polluted with reconstituted egg-whites!

We realise that we are not conditioned by heving a Harrods food hall or Paxton and Whitfield on our doorstep and we fully appreciate his dismay in finding that Sainsbury's have had the audacity to go "as for north as Lancaster" but we find it hord to knock supermarkets which, by making fine cheeses, rare fruits ond fresh game readily available at affordable prices, have so broadened the range and quality of produce available in our areo simply because they do not yet stock Greck yoghurt, did not know the Marks and Spencer hacon, tomato and lettuce sandwich was the hest that money can buy but then, unlike Mr Sexton, we bave not had the opportunity to taste every single sandwich produced in the Kingdom.

We must confess that we were confused at first by the fact that the two pages of the article were printed in reverse order in our edition. Having read the article we can understand why; Mr Sexton's values are clearly back to front.

John Hattersley, Shoron Bagas, Mike Boxall, Jane Coldwell.
18, Regent Street, Barnsley, S Yorks.

Defenders of manufacturing

From the Director, External Relations, Association of British Chambers of Commerce

Sir,—Mr Price's assertion (July 19) that "Chambers of commerce have as many importers in their midst as manufacturers so they no longer speak out to protect British manufacturing" could hardly be further from the truth.

Last year, the great concern of the Chamber of Commerce movement about the decline of UK manufacturing industry was expressed in evidence (both written and oral) presented by this association to the House of Lords' select committee on overseas trade. In that evidence, we emphasised chambers' total rejection of the notion that Britain should concentrate on developing its service sector and allow manufacturing to die.

We orgued that services must be treated aa complementary to recovery in manufacturing, not as a substitute for it: there is no reason why there should not be strong growth in both sectors — indeed, since one fifth of all service industry has manufacturing as its customer, the full potential of the former can only be realised if the latter expands and prospers. Our forecast that exports of services would not be able to fill the trade gap as North Sea oil earnings decline is proving sound.

The weight of our evidence was reflected in the Select Committee's eventual report. That evidence was followed by a factual ABCC report which summoriaed the statistical evidence of trends in UK manufacturing capacity. These papers received extensive media coverage and bad a considerable impact on opinion both inside and outside Parliament. I must, therefore, assertion thot the medio "ignore" manufacturing industry: the four main national daily broadsheet newspapers — the Financial Times In particular — devote o great deal of editorial space to the subject.

(Miss) Lynn Howarth.
212a Shaftesbury Ave, WC2

Profit sharing and pensions

From Mr G. Bannerman

Sir,—I found Eric Short's article (July 21) very interesting but feel that one important point has been overlooked. While I agree with bim that many schemes still use basic pay for calculating pensions, the introduction of contracting out in 1978 led many companies to switch to a total earnings basis. In cases where this has oot happened the question should have been discussed with the pensions advisers ond it ia likely that the decision made was to keep the stability of basic pay.

Where fluctuating earnings represent a major component of remuneration it is right that they be taken into account end the Inland Revenue rules permit this. Indeed they permit alt taxable emoluments (including benefits in kind) to be counted for pension purposes but the whole thrust of the new proposals is that the profit participation would be tax-free.

Unless the Inland Revenue changes its rules it may not be possible to treat the tax-free profit sharing as pensionable. If employees are being asked to give up basic salary in return for a share in profits they may find that their pension expectations are reduced. I regard this es more of a danger to pensions thon those mentioned hy Mr Short and a Government statement on this point is essential.

G. G. Bannerman.
Shire House, Bridle Path, Watford, Herts.

Trident and Star Wars

From Dr H. Shearring

Sir,—The US defence establishment (or part of it) wants and expects to sell Trident to the UK.

The UK (or part of it) wants but cannot realistically expect to get significant SDI contracts. As your editorial "UK role in Star Wars" (July 15) indicated, this is partly because of the minefields laid by the

If the UK were to make its purchase of Trident conditional on receiving significant SDI contracts, a swept path could well appear through the minefields.

If the pressure failed, we would be no worse off. If it succeeded, the UK would gain hy SDI funds and not being left behind in o research areo where the spinoffs are likely to be at least as valuable as the formal objectives.

We might even be able to pay for the conventional forces we are likely to need since the cost of the white (or ot best striped) elephant Trident would have been partly met by SDI payments.

(Dr) H. A. Shearring.
5th Floor, Victory House, Prospect Hill, Douglas, Isle of Man

Expatriates and votes

From Mr A. Denham

Sir,—On July 18 you published a letter from a Mr Kirkby who bases a prejudiced and quite illogical case for denying expatriate citizens the vote on o quite unsubstantiated assertion that "most" of us left Britain "with a view to keeping out of the UK Inland Revenue tax net." This statement ia either true (in which case Mr Kirkby should be required to provide at least some credible evidence for his assertion) or false (in which case he should apologise publicly for an undeserved insult to his fellow citizens).

In fact, I believe tbat the presently envisaged modest extension of the franchise still excludes, quite arbitrarily, those of us who left Britain more than about five years ago. British citizens bere in Germany see both French and American citizens not only permitted but encouraged to vote in domestic elections in their home countries while resident here; and Italian citizens here are actually under o legal duty to vote in elections in their home country. Moreover, British citizens here who fail to quality to vote in Britain in fact have not the right to vote in either Britain or Germany and, despite the fact that both are EEC states, are thereby excluded even from participating in elections to the European Parliament. Nevertheless, we have no automatic exclusion from the duty to pay tax on our income in either or both of the two states. This consideration will not, I fear, carry much weight with Mr Kirkby and those who think like him.

Regrettably, it also seems not to trouble the British political parties very much, in spite of the lip service they all pay to the democratic principle.

Alan B. Denham.
Johanneskirchnerstrasse 162, 8000 Munich 81.

UK COMPANY NEWS

Lloyds profits point to solid gains for big four

BY DAVID LASCELLES, BANKING CORRESPONDENT

LLOYDS Bank, the smallest of the big four clearing banks, yesterdsy reported e 27 per cent rise in pre-tax pro6ts to £335m for the first half of this year. This was closely in line witb the £333m forecast during Lloyds recent abortive takeover bid for Stsndard Chartered Bank.

Sir Jeremy Morse, Lloyds chairman, said: "Although I am disappointed that our bid for Standard Chartered did not succeed, I am confident that our current strategies will maintain our impetus." Lloyds said the bid had entailed external costs of £2m.

The results are the first of the clearing banks' interim season snd point to solid gains at the other three when they report over the next fortnight.

Lloyds' greatly improved profits reflected the broad-based strengthening of the banking market in both the UK and worldwide. Operating income from non-banking activities increased by 15 per cent to £359m, which was fasler thao a 6 per cent rise to £803m in net interest income on its traditional banking business.

Domestically, the bank benefited from strong loan demand, particularly from consumers and homebuyers. Falling inflation also staunched the flow of balances out of current accounts, which increased by 7 per cent. But Lloyds' non-banking businesses, such as its Black Horse estate agency, credit card and insurance broking also did well, producing a 24 per cent rise in operating income. Overall domestic profits rose 32 per cent to £136m after tax.

Foreign earnings more than doubled from previously low levels to £78m after tax thanks to stronger results from many regions. The merger of Lloyds with Lloyds Bank International also brought cost savings.

Overall the banks' costs rose more slowly. Provisions for bad and doubtful debts were down on overseas operations, from £77m to £53m. But in the UK they rose because of the continuing high rate of corporate failures, from £49m to £58m.

Mr Brian Pitman, the chief executive, said: "During the period we concentrated on expanding our core businesses and improving efficiency and profitability by resbaping some of our activities and by focusing on higb potential markets." He said that over tha last two years, Lloyds had redeployed about 20 per cent of its equity from low yielding to high yielding businesses.

Lloyds acbieved its profits growth with a 5 per cent increase in its balance sheet, from £43.8bn at the end of 1985 to £46.3bn on June 30. Shareholders' funds on that date were £2.5bn, up 18 per cent on a year earlier.

As previously forecast, Lloyds is expecting to increase its dividend by 25 per cent this year. It bas already declered an interim dividend of 6.25p (compared to 5p).

Sir Jeremy Morse, the chairman

See Lex

Expansion of packaging business by NMC

By Clare Pearson

NMC Investments, which took on a new lease of life when Charles and Maurice Saatchi acquired minority stakes last March, has greatly expanded its packaging business with the purchase of privately-owned Interpoly, a profitable security wrapping concern, at a maximum cost of £8m.

Mr Normsn Gordon, NMC's chief executive, said yesterday that further acquisitions, probably of service industries, were likely. He was also hoping to recruit new members to NMC'a board.

NMC is paying for the desl by an issue of 8m new shares, at £1 each. Singer & Friedlander, NMC'a financial advisers, will place 7m of them with institutions, the rest being retained by Interpoly shareholders.

Of the proceeds of the issue £2m will be placed in escrow by the vendors for release if Interpoly achieves pre-tax profits of £1m in 1986.

The new shares reduce the Saatchi brothers' combined stake from 30 per cent to about 25 per cent, and Mr Gordon's to about 14 per cent.

NMC sees wrapping of notes end coins as an underexploited area. Interpoly's unaudited accounts for the first half of 1986 show pre-tax profits of £517,000, on turnover of £2.1m, compared with £451,000, on turnover of £3.8m, for the whole of last year. Mr Peter Brandon, Interpoly's chief executive, will become a director of NMC.

NMC'a shares closed at 128p, up 11p on the day.

Yesterday NMC also announced preliminary results for the yea rto March 31 1986, the last under its old management. Turnover slipped from £3.72m in 1985 to £3.53m while pre-tax profits were £167,227 (£182,924). An interim dividend of 1p was paid on April 7 in lieu of a final.

Mr Gordan, an ex-insurance broker, was installed after NMC's shsre capital was almost doubled by an issue of 8.6m new shares to him and the Saatchi brothers, who head the advertising agency Saatchi and Saatchi. He has been reviewing NMC's activities, starting with the packaging side.

In addition to the acquisition of Interpoly he was seeking to boost Propp Corrugated Cases, NMC's cardboard box business. Propp made a pre-tax profit of £9,596 last year, on turnover of £3.5m.

Berry Trust hits out at £86m bid from Ensign

BY TERRY GARRETT

THE DIRECTORS of Berry Trust moved quickly yesterday to leave shareholders in no doubt as to whst they thought of Ensign Trust's early morning £86m bid.

Mr Bertie Boyd, joint managing director of GT Management which manages the Berry Trust, described the bid as "non-sensical" and the cash elternative to the paper offer as "mean and opportunistic."

Ensign, a young trust which has evolved from Murray Growth after the Merchant Navy Officers' Pension Fund (MNOPF) took control last year, is making a share end debenture offer for Berry in the now classic formula basis geared to net asset velue.

The offer will be equal to 96 per cent of nct asset value with a cash alternative of 92 per cent.

The bid came as little surprise to Berry's management who bad been watching Ensign build up a share stake since April. Berry had recently made an unsuccessful approsch to Ensign to sound out its intentions.

Ensign already has a 9.15 per cent holding in Berry and together with the shares beld by two Merchant Nevy funds (which Ensign manages) it speaks for just over 22 per cent of the defenders' equity.

Other major sbareholders include UKPI with 28.9 per cent and Sun Life Assurance with 6.3 per cent.

The prize for Ensign is Berry'a holding in GT Management, tbe international fund management bouse whicb recently floated on the stock market. Although Berry reduced its stake in GT by 6.39m shares in the offer it still bolds 11.7 per cent of the equity.

Tha interest in GT fits in neatly with Enslgn's policy of developing financial services. Mr Philip Henderson of Ensign believes that the chaoging face of tbe City will put tha "power into the investment managars' hands."

Mr Boyd was insisting tha the offer presented Berry shareholders with some u sttractive alternatives arguir that if they took Ensign shar they would end up minori sbareholders in a trust co trolled by the MNOPF. The fu will retain a 75 per cent intere in Ensign after the bid. Berry'a shareholders stuck wi their trust they could then sl be in a minority position "wi out control over their future if Ensign succeeds.

The offer is £1 nominat debenture stock plus Ensi shares (up to a maximum 1.65 sbares) for eacb Ber share. Ensign's shares will valued at 97.5 per cent of ass value.

Based on estimated net ass valuea as at July 23, tha b values each Berry share 269.4p. The cash alternati would be 264.9p.

In the market Berry'a sha closed 2p down at 253p a Ensign'a 2p lower st 146p.

Rexmore rises 18% to £0.6m

Rexmore, helped by an 18 per cent increase in turnover from retained companies and the elimination of loss-making activities, saw pre-tax profits increase by 18 per cent in the year to March 29 1986.

Total turnover for this Liverpool-based fabrics supplier rose from £29.96m to £31.02m to give taxable profits of £604,000 (£513,000). Stated net earnings per share were 3.09p (0.36p) and the directors are proposing s final payment of 0.6p (0.325p) to give an unchanged total of 1p.

During the year the company sold its loss-making subsidiary, R. Cawley (Msnchester) and its stakes in Dermide and Berisfords.

Turnover for the first quarter of the present year was ahead of last year and an improvement in earnings per sbare was expected.

In the year under review operating profits came out ahead at £1.29m (£899,000) but the share of related companies was down at £81,900 (£237,000) with a reduced contribution from Berisfords.

May & Hassell £1.8m in red

May & Hassell, the Bristol-based timber importer, yesterday reported a loss before tax of £1.8m for the year to end-March 1986 compared with e £81,000 profit the year before.

The company said that to stem losses and restore profitability it recognised the need to further strengthen the board. Some changes have already taken place and further appointments, including a new chairman, are planned.

A recommendation to cut the final dividend from 2.15p to a nominel 0.1p was also made. The interim dividend was passed (1.6p).

May & Hassell said thet trading over tha 1985-86 year was affecled by several factors. Falling timber prices throughout 1985 resulted in very competitive trading conditions and a write-down in stocks was thought prudent at the year-end.

In addition, the poor post-Christmas weather severely curtailed building activity, and high interest rates — compounded with high gearing — cost £4.19m (£2.86m).

Besides the problems above the line, the company took sccount of £1.89m (£84,000) of extraordinary debits, which left an attributable loss of £3.8m.

The directors said that they bad reviewed the valne of group properties and deemed it appropriate to write down the value of three sites. Also, heavy retionalisation end run-down costs were incurred in tbe north west during the year and provision had been made in respect of the enticipated costs of further rationalisation.

They added that the group's borrowing facilities had been successfully renegotiated. Borrowings are now secured on group sssets.

Meggitt bid battle hots up

Meggitt Holdings, the specialist engineering group, yesterday said there was "irrefuteble logic" to its £88m contested bid for Bestobell, the electronic and mechanicsl components supplier.

In the formal offer document, Meggitt said the two companies bad complementary products in acrospece end defence, high integrity electronic components end energy engineering. "It is an exceptional fit," said Mr Nigel McCorkell, Meggitt's finance director.

Bestobell hit back saying that its recovery programme would be sabotaged if Meggitt succeeded. In the early 1980s, Bestobell ran into major problems on insulation contracts et two power station construction projects in Australia, forcing management to restructure the group.

Mr David Ingham, the former ICI executive who joined Bestobell as chairman last September, said: "Meggitt want to get into ereas we are getting out of. If they succeed it will set back Bestobell."

Meggitt, which has secured the backing of e 29 per cent stake in Bestobell held hy BTR, the industrial conglomerate, said it was confident its own management could redress Bestobell's "appalling" performance since 1981.

AE shows determined defence

BY DAVID GOODHART

AE, the engineering group fighting an unwelcoma £177m bid from Turner & Newall, yesterday punched out a determined defence raising tha spectre of continuing liabilities to T&N arising from its asbestos business, and stressing its continuing dependence on Africa.

Sir John Collyear, tha AE chairman, denouncad the bid as an attempt by T&N to "alleviate many problems posed by its dependence on asbestos by buying a successful but unrelated business."

When it made the bid T&N pointed to the favourable judgment in the US courts which bad fixed a liability of £8m on one of its insurance companies in relation to the claims arising from asbestos-related disease.

However AE states that in 1978 T&N was a defendant in claims totalling 2.8bn dollars. It adds that no claims total has subsequently been given to shareholders and asks "what is the total figure for claims now outstanding?" and "what steps bava been taken to ensure thst it is not manufacturing additional litigation from employees or customers?" Finally it states that the search for substitutea will be "costly and time-consuming."

AE also states that in 1985 T&N's African operations contributed 40 per cent of operating profit from less than one quarter of sales, and accounts for some 35 per cent of tot capital employed which, claims, amounts to "a distur ing degree of reliance on u stable African economies."

Although both compani share motor componer divisions AE said industr logic was illusory as it us different kinds of machines different raw materials. also fears a cut-back in research and developme which it claims has made i market leader in many of products, if T&N is successfu

Financially, AE said that offer currently values each share at 47p beneath its mar value which last night was 22 T&N closed 3p down at 196

Alfred Preedy falls to £0.4m

LOWER OPERATING profits, higber interest charges and the existence last time of an exceptional credit, have together reduced the pre-tax result at Alfred Preedy & Sons, West Midlands-based confectionery, tobacco and newspaper retailer, in the year ended March 29 1986.

Although turnover improved by £6.22m to £113.64m, pre-tax profits fell from £1.02m to just £383,000. At the halfway stage the company reported increased losses of £323,000 (£188,000).

The directors are maintaining the dividend total at 3.875p, however, with an uncbanged final of 2.875p. Earnings per 25p share are shown down from 8.78p to 1.32p.

Mr S. L. Preedy, the chairman, said that the start of the current year had been marked by the disposal of the company's wbolesale business. The directors were taking particular care to limit the level of borrowings and capital expenditure would be focused on refurbishment to provide improvements in marketing and merchandising in both the stores and CTN's (confectionery, tobacco and newsagents).

The chairman said be had no doubt that the actions taken over recent years to rednce the spread of trading interests and focus on retailing alone would prove to be correct.

Capital expenditure to finance the group's accelerated expansion programme in its CT division, was mostly in the half, and caused an increase in interest charges ahead of the trading benefits now flowing through, Mr Preedy sted. Lower interest rates and the generated by recent dispals would reduce finance chages in the current year, however, he predicted.

From an operating profit down from £1.37m to £1.1m, interest for the year took £759,000 (£507,000). Last time an exceptional credit aded £158,000.

After tax of £26,000 (£220,000), there were extraordinary charges of £328,000 (£45,000) relating to closure costs.

Hawley raises stake in Brengreen

Hawley Group continued yesterday to make clear its intention to play a part in the agreed £31m bid by BET for cleaning group Brengreen Holdings by further acquisition of Brengreen shares.

Before the BET bid earlier this week Hawley owned about 11 per cent of fellow contract-cleaner Brengreen and on Thursday it revealed its continuing interest by taking its stake up to 13.5 per cent. Yesterday it bought a further 2.25m shares, taking its stake to 15.9 per cent.

Times Veneer stake acquired

A group of investors led by Mr David Landau, a solicitor, and Mr Robert Newman, an accountant, have acquired 29.9 per cent of "The Times" Veneer, a timber company long the subject of bid speculation, from Pebble Investments.

Shares in the company closed last night at 58p, down 1p on the day.

Mr Peter Beswick, a stockbroker at Henderson Crosthwaite, and Mr Landau each hold 9.97 per cent, with Mr Newman having 8.81 per cent. Associates of Mr Newman are said to hold the balance of the 29.9 per cent.

Mr Beswick said yesterday that he was very much a passive participant, but he understood Mr Landau and Mr Newman were keen to expand the business through acquisitions. No talks have yet been held with its management.

AGB Research warns of 15% fall in profits

AGB Research, market research company, snnounced that next month's preliminary results, for the year to end-April, would show pre-tax profits 15 per cent down on last year's £9.2m, it blamed problems in Australia and in two other subsidiaries.

The tax charge would also increase due to a greater proportion of profits from overseas and the need to provide for ACT on this year's dividend. Earnings per share were forecast to be not less than 6p, compared with 11.43p last year.

The failures in Australia were said to be caused by an ambitious growth plan which was overtaken by a sharp downturn in activity and the weakening of the Australian dollar. Action had been taken which would show an effect in 1986-87.

The problem subsidiaries, in the information systems division and in administration support services, had been sold. The costs will appear as significant extraordinary losses in the accounts.

At the interim stage, the chairman stated that "overall trading continued to be satisfactory" and he "expected the group to produce increased profits for 1985-86."

Yesterday AGB also announced an agreement with Schroder Ventures to form a company to extend AGB's television audience research business in the US. It is planned that AGB will have a service operating in the US from October 1987.

The shares closed 26p down at 170p.

C and W sees record year

Cable and Wireless told shareholders at yesterday's annual meeting that the Mercury Communications subsidiary was moving ahead at a most satisfactory rate. Customers were being added to the Mercury network daily, said Sir Eric Sharp, chairman of C and W.

Use of the network by existing customers was increasing at a rate greater than expected and by the autumn there would be a locally switched service in London.

The network is being extended to Scotland and Wales before the end of this year and in the south coast; resident users will be able to buy the Mercury telephones by Christmas.

Sir Eric was confident that the current year would again produce record results. C and W shares closed last night at 64[illegible] up 8p.

Atwoods in £4m acquisition

Atwoods, a waste disposal and aggregates company in which Hawley Group has a controlling stake, is paying £4.2m for J. R. Roper, a Sheffield-based land fill and waste service company.

The acquisition adds to Atwoods' North of England presence, established when it took over two Yorkshire quarries last November. Atwoods is engaged in aggregates and reclamation businesses in the UK through its subsidiary, Drinkwater Sabey, but derives 70 per cent of its profits from its Florida operations.

Hawley will take up enough of the 2.6m ordinary shares issued to pay for Roper to maintain its 29.99 per cent stake in Atwoods.

The shares are being placed by brokers Rowe & Pitman, Mullens and Anderson at a price of 160p each. Atwoods shares closed yesterday at 163p, unchanged on the day.

DERBY TRUST'S net asset value at June 30, assuming full subscription of outstanding warrants, was 263.5p (last year 225.5p) and not 206.5p as reported yesterday.

PHIT buys site

Property Holding and Investment Trust (PHIT), currently the subject of an unwelcome takeover bid from Greycoat Group, the property development company, yesterday announced the £8.5m purchase of a freehold development site at Myton Farm, near Leamington, Warwickshire.

PHIT has been granted planning permission for a retail park of 140,000 sq ft, which is expected to include a superstore and a sports hall.

It will finance the deal with existing bank facilities.

Radiant Metal

A return to trading profit achieved by Radiant Metal Finishing in the year ended February 28 1986, and the tax profit showed an improvement from £241,000 to £231,... From earnings per 12½p share of 14.59p (14.65p) the dividend is held at 2.5p net, with an unchanged final of 1.5p.

Turnover in the year dropped to £1m, and produced a profit of £129,000, against the loss of £30,000. Other incomes totalled £12,500 (£62,000) and the ... on realisation of investments

LADBROKE INDEX

1,264-1,270 (-6)

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ailsa Invest	1.5	Oct 2	1.2	2.5	1.8
Berisfords	3.73	—	3.73	5.28	5.28
Black Arrow	3.25	Oct 1	2.7	5	4.2
Britoil ......int	2	—	4	—	13
May & Hassell	0.1	Sept 17	2.15	0.1	3.75
Alfred Preedy	2.88	Oct 2	2.88	3.88	3.88
Radiant Metal	1.5	Aug 21	1.5	2.5	3.5
Rexmore	0.6	Oct 2	0.33	1	1
Wm Sommerville	8	—	6.45	9	7
Unigroup	1.1	—	0.71	1.1	0.71
Watsham's	†2.4	—	2.1	3.5	3

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday July 25 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Thurs July 24 Index No.	Wed July 23 Index No.	Tues July 22 Index No.	Year ago (approx.) Index No.	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
1 CAPITAL GOODS (212)	686.65	-0.8	8.93	3.57	14.26	9.26	691.96	700.98	698.01	491.01	753.28	30/4	567.56	14/1	753.28	30/4/86	50.71	13/12/74
2 Building Materials (26)	773.07	-1.9	9.15	3.73	13.73	11.67	787.84	794.95	793.68	526.21	844.79	4/4	613.05	23/1	844.79	4/4/86	44.27	11/12/74
3 Contracting, Construction (30)	1195.18	-1.5	7.99	3.82	17.12	15.27	1213.86	1222.95	1223.36	806.58	1220.78	2/7	911.08	23/1	1220.78	2/7/86	71.48	2/12/74
4 Electricals (12)	1790.09	-0.5	8.80	4.28	14.89	33.82	1798.50	1827.26	1818.65	1247.15	2092.98	21/4	1530.81	2/1	2092.98	21/4/86	84.71	25/6/62
5 Electronics (38)	1593.84	+0.4	9.84	3.06	13.53	12.41	1587.37	1575.25	1578.36	1318.23	1794.13	30/4	1387.58	24/1	2049.65	13/11/84	1229.83	8/10/85
6 Mechanical Engineering (61)	386.91	-1.0	9.97	4.19	12.77	6.44	390.81	390.90	389.76	264.39	422.95	18/4	316.43	23/1	422.95	18/4/86	45.43	6/1/75
8 Metals and Metal Forming (7)	332.82	-0.8	8.79	4.28	14.45	5.01	335.56	335.43	331.73	277.27	380.80	2/7	241.87	2/1	380.80	2/7/86	49.65	6/1/75
9 Motors (16)	284.44	-1.5	9.27	3.40	12.58	3.78	288.82	292.63	289.97	249.76	322.48	3/7	236.50	14/1	322.48	3/7/86	19.91	6/1/75
10 Other Industrial Materials (22)	1229.95	-0.4	6.84	3.82	17.61	17.26	1234.33	1246.35	1256.46	869.46	1347.13	3/4	947.88	24/1	1347.13	3/4/86	277.53	15/1/81
21 CONSUMER GROUP (183)	887.33	-0.1	6.11	3.32	15.49	12.39	888.42	900.55	890.90	655.62	968.16	3/4	739.82	14/1	968.16	3/4/86	61.41	13/12/74
22 Brewers and Distillers (22)	898.80	—	9.60	3.57	12.71	11.25	898.65	905.52	892.66	610.05	989.31	30/6	784.25	14/1	989.31	30/6/86	69.47	13/12/74
25 Food Manufacturing (25)	650.94	—	9.78	4.01	13.38	12.20	651.33	664.25	658.07	473.27	702.63	4/4	549.51	14/1	702.63	4/4/86	59.67	11/12/74
26 Food Retailing (15)	1762.20	+0.3	4.52	2.92	20.94	16.13	1756.94	1797.32	1774.62	1321.64	1976.34	14/4	1629.83	21/1	1976.34	14/4/86	54.25	11/12/74
27 Health and Household Products (10)	1504.71	+0.4	5.56	2.29	21.27	11.71	1499.15	1528.26	1510.50	1083.60	1651.15	17/4	1175.61	14/1	1651.15	17/4/86	175.38	28/5/80
29 Leisure (28)	873.00	-0.2	7.13	4.31	16.81	18.85	874.57	880.21	873.09	597.38	964.51	2/4	731.37	24/1	964.51	2/4/86	54.83	9/1/75
31 Publishing & Printing (14)	2486.91	-1.0	7.78	4.05	16.60	48.48	2495.06	2498.26	2476.29	1719.86	2655.71	4/7	1854.16	23/1	2655.71	4/7/86	55.08	6/1/75
32 Packaging and Paper (14)	463.53	-0.6	7.13	3.43	18.50	6.75	466.33	471.06	470.49	326.48	495.35	1/7	362.52	9/1	495.35	1/7/86	43.46	6/1/75
34 Stores (39)	842.29	-0.4	7.12	2.97	19.08	10.49	845.73	855.71	849.57	638.07	984.64	3/4	787.79	23/1	984.64	3/4/86	52.63	6/1/75
35 Textiles (17)	521.52	-0.4	8.81	3.74	13.48	8.81	523.68	534.99	533.82	399.76	599.97	4/4	375.50	14/1	599.97	4/4/86	62.66	11/12/74
36 Tobaccos (2)	1129.28	-0.5	13.61	4.43	8.12	28.60	1134.89	1134.18	1109.17	769.95	1229.63	11/4	873.47	9/1	1229.63	11/4/86	94.34	13/6/62
41 OTHER GROUPS (86)	736.84	+0.1	9.12	4.28	14.34	8.50	736.06	750.58	746.78	650.50	859.53	4/4	696.16	21/1	859.53	4/4/86	58.63	6/1/75
42 Chemicals (20)	917.98	+0.7	9.55	4.31	12.75	17.44	911.77	924.15	916.32	662.28	985.96	14/3	729.60	23/1	985.96	14/3/86	71.20	11/12/74
44 Office Equipment (4)	237.49	-0.4	7.83	4.46	15.45	4.59	238.50	241.69	245.83	187.36	281.13	9/5	203.51	13/1	281.13	9/5/86	45.34	5/1/75
45 Shipping and Transport (13)	1432.63	-0.6	8.07	4.35	15.79	28.44	1441.26	1457.85	1459.78	1162.96	1677.64	3/4	1316.35	14/1	1677.64	3/4/86	90.80	29/6/62
46 Telephone Networks (2)	743.59	+0.3	11.95	4.94	11.83	2.53	741.46	766.73	765.10	642.20	1050.83	4/4	741.46	24/7	1050.83	4/4/86	517.92	30/11/84
47 Miscellaneous (49)	1015.64	-0.3	6.66	3.37	18.79	11.68	1018.38	1037.92	1022.85	877.80	1108.24	3/7	864.26	9/1	1108.24	3/7/86	60.39	6/1/75
49 INDUSTRIAL GROUP (485)	806.53	-0.2	8.56	3.61	14.83	10.70	808.44	820.50	814.21	608.80	889.80	3/4	691.89	14/1	889.80	3/4/86	59.01	13/12/74
51 Oil & Gas (17)	1168.41	-1.5	17.49	7.73	6.84	41.46	1185.90	1201.03	1201.03	1153.39	1228.81	28/6	1093.63	20/2	1229.75	15/2/85	87.23	29/5/62
59 500 SHARE INDEX (500)	858.57	-0.4	9.60	4.05	13.39	13.12	861.68	874.08	868.20	649.93	917.63	3/4	727.53	14/1	917.63	3/4/86	63.49	13/12/74
61 FINANCIAL GROUP (117)	595.78	-0.5	—	4.61	—	11.72	598.66	605.56	598.08	465.42	629.66	4/4	507.50	14/1	629.66	4/4/86	55.88	13/12/74
62 Banks (7)	647.29	+0.4	17.85	5.44	6.14	14.80	644.62	648.93	639.18	484.37	707.33	20/3	557.21	2/1	707.33	20/3/86	62.44	12/12/74
65 Insurance (Life) (9)	834.33	-0.9	—	4.47	—	17.27	841.88	854.56	840.28	712.39	913.47	7/7	716.18	23/1	913.47	7/7/86	44.88	2/1/75
66 Insurance (Composite) (7)	462.09	-1.0	—	4.30	—	9.46	467.91	470.12	465.77	358.66	525.33	14/4	403.56	2/1	525.13	14/4/86	43.96	13/12/74
67 Insurance (Brokers) (9)	1185.35	-1.0	8.81	4.05	14.83	23.60	1199.77	1204.03	1172.53	1000.79	1329.82	12/2	1139.48	13/6	1329.82	12/2/86	65.86	16/12/74
68 Merchant Banks (12)	328.14	-1.0	—	3.57	—	4.56	331.57	334.79	333.31	251.14	398.22	1/7	277.34	24/1	398.22	1/7/86	31.21	7/1/75
69 Property (50)	766.91	-0.7	5.65	3.58	23.44	10.81	772.13	781.83	782.16	620.77	807.34	13/7	635.84	23/1	807.34	13/7/86	56.88	20/4/65
70 Other Financial (23)	337.32	-0.2	11.28	4.55	11.31	5.73	339.71	341.48	339.29	261.52	362.04	4/4	287.55	24/1	362.04	4/4/86	33.29	17/12/74
71 Investment Trusts (101)	743.68	-0.1	—	3.04	—	9.71	744.59	744.72	745.41	561.44	764.89	7/7	633.36	14/1	764.89	7/7/86	71.12	13/12/74
81 Mining Finance (2)	248.86	-0.1	14.46	6.45	8.85	6.11	249.20	251.34	248.94	249.51	333.16	21/3	248.83	2/1	337.57	10/4/84	66.31	30/9/74
91 Overseas Traders (14)	649.72	-0.5	11.67	6.69	10.18	19.63	653.06	660.62	655.49	681.54	787.32	11/7	597.55	2/1	787.32	11/7/86	97.57	6/1/75
99 ALL-SHARE INDEX (734)	767.00	-0.4	—	4.12	—	12.45	769.93	779.86	774.43	597.12	832.99	3/4	664.42	14/1	832.99	3/4/86	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	July 24	July 23	July 22	July 21	July 18	Year ago	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX ♦	1545.8	-1.9	1547.8	1539.8	1547.7	1572.3	1559.2	1568.2	1584.4	1299.7	1717.6	3/4	1370.1	14/1	1717.6	3/4/86	986.9	23/7/84

FIXED INTEREST

PRICE INDICES	Fri July 25	Day's change %	Thurs July 24	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	122.06	+0.08	121.96	—	6.89
2 5-15 years	140.53	+0.01	140.53	—	7.78
3 Over 15 years	148.25	+0.15	148.03	—	6.93
4 Irredeemables	164.11	+0.31	163.60	—	7.27
5 All stocks	136.31	+0.06	136.73	—	7.57
Index-Linked					
6 5 years	119.25	+0.11	119.14	—	3.16
7 Over 5 years	115.21	+0.14	115.04	—	1.99
8 All stocks	114.81	+0.14	114.67	—	2.04
9 Debentures & Loans	119.84	+0.19	119.62	—	5.82
10 Preference	84.55	+0.10	84.45	—	3.73

AVERAGE GROSS REDEMPTION YIELDS	Fri July 25	Thurs July 24	Year ago (approx.)	1986 Highs		1986 Lows	
British Government							
1 Low Coupons 5 years	8.21	8.28	10.86	10.26	20/1	7.37	18/4
2 Coupons 15 years	9.29	9.28	10.27	10.65	20/1	8.44	18/4
3 25 years	9.38	9.28	10.17	10.62	20/1	8.53	18/4
4 Medium 5 years	9.55	9.54	10.91	11.89	14/1	8.36	18/4
5 Coupons 15 years	9.54	9.53	10.75	11.45	20/1	8.64	18/4
6 25 years	9.55	9.53	10.66	11.05	20/1	8.64	18/4
7 High 5 years	9.73	9.72	10.05	12.07	20/1	8.73	18/4
8 Coupons 15 years	9.69	9.69	10.04	11.32	20/1	8.73	18/4
9 25 years	9.49	9.46	10.15	10.81	20/1	8.50	18/4
10 Irredeemables†	9.19	9.21	9.98	10.35	20/1	8.35	18/4
Index-Linked							
11 Inflat'n rate 5% 5 yrs	3.58	3.56	0.8	5.18	14/1	3.24	29/4
12 Inflat'n rate 5% Over 5 yrs	3.55	3.55	—	4.23	14/1	3.15	29/4
13 Inflat'n rate 10% 5 yrs	2.61	2.57	—	4.23	14/1	2.11	29/4
14 Inflat'n rate 10% Over 5 yrs	3.09	3.05	—	3.85	14/1	2.95	29/4
15 Debs & Loans 5 years	10.81	10.87	11.50	12.78	27/1	9.72	8/7
16 15 years	10.37	10.46	11.39	11.93	4/2	9.79	22/4
17 25 years	10.44	10.47	11.27	11.83	23/1	9.81	24/4
18 Preference	10.85	10.87	12.39	12.18	24/2	10.30	9/6

♦ Opening index 1545.7 10 am 1546.8; 11 am 1547.1; Noon 1545.7; 1 pm 1545.5; 2 pm 1542.0; 3 pm 1543.5 3.30 pm 1539.8; 4 pm 1540.5.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72

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INTERNATIONAL COMPANIES and FINANCE

HK Wharf pays an extra 50% of dividend

By Our Financial Staff

SHARPLY higher profits and a hefty increase in the dividend are reported for the year ended March, 1986 by the Hongkong and Kowloon Wharf and Godown Company, soon to be known as Wharf (Holdings).

The group, a diversified property company which last year took control of Wheelock Marden after an intense HK$2.5bn (US$320m) takeover battle, has increased net profits by more than half to HK$707m with earnings per share rising from 30.1 cents to 45.4 cents.

The performance, boosted by the first time inclusion of profits from Wheelock Marden, is allowing the dividend to go up from 21 cents a share to 31.5 cents. The final payment for the past year is 23 cents.

The strong earnings announcement is accompanied by plans for a number of capital moves, notably a one-for-ten scrip issue and on issue of warrants.

Turnover last year rose to HK$3.25bn from HK$1.58bn with much of the increase attributed by the group to the acquisition of Wheelock Marden.

HK Wharf's net debt at the end of the year totalled HK$900m, roughly half the figure at which borrowings stood in the balance sheet a year earlier. This change largely reflected the fall in interest rates, the company said.

The company is to recommend to shareholders that its name be changed to Wharf (Holdings).

Pechiney and US company in smelter link-up

By Paul Betts in Paris

REYNOLDS METALS, the US aluminium concern, is planning to team up with Pechiney, the French nationalised aluminium and metals group due to be privatised, in the new US$1bn Becancour aluminium plant in Quebec.

As disclosed earlier this week Pechiney is trying to reduce its 50.1 per cent stake in the Canadian 230,000 tonnes a year plant which has just come on stream. Alumax has a 24.95 per cent holding and the Quebec province SGF group owns another 24.95 per cent.

Pechiney said yesterday that it planned with Reynolds to form a 50/50 joint venture which would own its 50.1 per cent stake.

Pechiney added that the proposed deal with Reynolds would involve less than 60,000 tonnes of aluminium capacity a year and that it would thus still leave Pechiney as the world's third largest aluminium producer after Alcan and Alcoa, with nearly 1m tonnes of annual capacity.

McLean in new talks with bankers

BY WILLIAM HALL IN NEW YORK

McLEAN INDUSTRIES, parent of US Lines which controls one of the world's biggest container shipping fleets, is seeking fresh help from its bankers for the second time in three months to defer payments on its $1bn of borrowings which it took on to finance its recent major fleet expansion.

The New York-based company, which operates 32 container ships, announced late on Thursday that it was seeking to defer payments on its debts while a restructuring plan is developed.

First Boston, the New York investment bank, is helping develop a restructuring plan and "all alternatives" are being explored, including sale of assets, says McLean.

The company, whose bankers last April granted it a moratorium on $139.5m of principal payments over the next two years, lost $70.7m in the first quarter of 1986 and expects to report a similar loss in the second quarter.

US Lines' decision to put into service 12 of the biggest container ships in the world has aggravated the overcapacity in the container shipping industry where several other major operators have also introduced new capacity.

Mr Malcolm McLean, the 72-year-old president of McLean Industries, is regarded as the father of the container shipping industry, and built Sea-Land into one of the most successful companies in its field before selling it to R. J. Reynolds.

Mr McLean later bought back into the industry by acquiring US Lines, one of America's most famous shipping companies, and is intent on re-establishing himself as a major force in the industry. However, his decision to order 12 new container ships in Korea was seen as a major gamble.

● A group of banks has formally decided to extend a total of $275m in loans to the financially troubled C. H. Tung shipping group. The banks include the Bank of Tokyo, The Industrial Bank of Japan and Hongkong Shanghai Bank, and the move follows pressure by Japanese shipbuilders, including Mitsubishi Heavy Industries on the group to take delivery of 12 ships it has ordered, writes Yoko Shibata in Tokyo.

Bid boosts Hammermill shares

BY OUR NEW YORK STAFF

SHARES in Hammermill Paper, the largest US producer of writing paper which received a $900m takeover bid late on Thursday, rose sharply in early dealings on the New York Stock Exchange on Friday.

Some 1.22m shares, or about 7.5 per cent of those outstanding, changed hands at around $55½—up more than $7 from Wednesday's closing price of $46½.

Hammermill said yesterday it would have no immediate comment on the $52-a-share bid announced late on Thursday by a group of investors led by Mr Paul Bilzerian, a California-based businessman, who claimed yesterday that he and his associates already own 19.6 per cent of the company.

The forest products company has been the object of a good deal of speculative talk as a potential takeover target in recent months. Although it reported a strong recovery in net income during the first half year to $33m, from $18m a year earlier, it still earned a relatively modest return on sales of $913m up from $865m a year earlier.

Mr Craig McClelland, the president, predicted that full year results would be well ahead of 1985 despite a probable seasonal slowdown in the third quarter.

Mr Bilzerian, who claims a $500m financing commitment from Bankers Trust and National Westminster Bank USA, was quoted today as saying he believed Hammermill to be well-managed and efficient.

Five years ago, Hammermill fought off an unwelcome bid by Mr Carl Icahn, the Wall Street corporate raider, by buying back $31m worth of its own shares in an early example of what later became known as greenmail.

Aetna soars by almost 300%

BY ADRIAN DICKS IN NEW YORK

AETNA LIFE & CASUALTY, the largest shareholder-owned composite US insurance company, showed an almost fourfold increase in net earnings during the second quarter to $242.8m, from $64.5m in the same period last year. Earnings per share rose to $2.12 from 55 cents.

Operating earnings rose to $159m, from $100m, or to $1.37 a share from 90 cents. Mr James Lynn, chairman, said there had been gains in all lines of insurance business, but warned that earnings on casualty and property insurance still needs to improve further to make up for the losses and inadequate returns of recent years.

"We are also working to improve the cost and availability of commercial insurance through our efforts to achieve tort reform," Mr Lynn said. "The meaningful tort reform legislation already passed in several states makes the civil justice system more fair, efficient and predictable and will improve the casualty market in those areas."

Aetna's premium income during the quarter rose to $3.63bn, from $3.57bn, while net investment and other income rose to $1.28bn, from $1.18bn. Net income during the quarter was lifted by a $31.3m carried forward tax loss.

In the first six months, Aetna's net income rose to $493m, from $120m a year earlier, or to $4.32 from $1.05 a share. Premium income rose to $7.24bn, from $6.72bn, and investment income to $2.57bn, from $2.32bn a year earlier.

Michelin axes Belgian plant

BY OUR PARIS STAFF

MICHELIN, the French tyre group and the world's second largest tyre maker after Goodyear, is closing its loss-making industrial operations in Belgium. Production ceased yesterday.

The tyre group, which returned to the black last year after extensive restructuring, said yesterday it was shutting its passenger car tyre plant of Zuen, near Brussels, employing 1034 workers. The French group will continue to employ about 270 people in Belgium on commercial and marketing operations.

Although Michelin reported a consolidated net group profit of FFr 1bn ($145m) last year after several years of heavy losses, the company is pursuing its restructuring to improve profitability. It claimed that there was no way to make the Belgian industrial operations viable again even in the medium term.

The Zuen plant dates back to 1937 and started losing money 12 years ago. Since 1974, the plant has accumulated losses of more that BFr 700m ($16m) Michelin launched a restructuring programme at the Belgian plant in 1983 involving 30 job cuts.

About 90 per cent of the plant's output was exported largely to other European markets. The closure also reflects the continuing overcapacity in the tyre market which is currently estimated at about 20 per cent.

Michelin is expected to start negotiations with its Belgian workers over the plant redundancies next week.

Judge allows LTV important breathing space

By Our Financial Staff

LTV, the US steel, energy and aerospace group which filed under Chapter 11 of the US Bankruptcy Code earlier this month, won an important breathing space in its fight for survival when a Federal judge in New York allowed it to pay its aerospace and energy division suppliers.

The company's aerospace and defence unit was the only profitable division last year, and a lawyer for LTV said maintaining its financial integrity was essential for the continued operation of LTV as a whole, and important to the US Government's defence efforts.

Offer for Intraco fails

UNITED Industrial Corporation, the Singapore chemicals, trading and investment group, has failed in its hostile bid for Intraco, the listed trading corporation controlled by the island's state government, and has allowed the bid to lapse.

The bid, valuing Intraco at S$127.5m (US$58.2m) received acceptances from only 1.3 per cent of the company's capital. UIC already owned 17.9 per cent.

People omits dividend

PEOPLE EXPRESS, the struggling cut-price US airline, is to omit its quarterly common stock dividend to save cash pending the sale of its Frontier Airlines subsidiary to United Airlines.

The company has been paying a 5 cent dividend. The regular quarterly dividend on the company's series B cumulative convertible preferred stock is being maintained.

Disposal by Time Inc.

TIME INC, the big US media group, has sold all its 2.4m shares of Temple-Inland, the US forest products group which it spun off in 1984, for about $110m.

Time retained the 10 per cent stake after the spin-off, when it agreed to sell the stake at a future time to conform to Federal tax requirements.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*325)	300	40	50	58	6	0	11
	330	20	33	37	20	23	25
	360	9	15	18	40	45	48
B.P. (*563)	500	75	85	—	4	8	—
	550	40	50	58	20	28	37
	600	13	23	30	55	57	60
Cons. Gold (*424)	420	30	50	55	25	35	42
	460	17	32	37	52	60	67
	500	7	18	—	85	95	—
Courtaulds (*268)	260	23	33	44	7	13	19
	280	15	20	32	19	25	29
	300	7	13	—	35	36	—
Com. Union (*308)	280	36	—	—	3	—	—
	300	24	34	42	12	14	16
	330	11	20	28	29	30	31
Cable & Wire (*643)	600	75	95	110	17	22	27
	650	35	55	75	35	45	56
	700	15	28	45	68	75	90
	750	6	15	—	110	115	—
Distillers (*715)	600	120	—	—	4	—	—
	650	80	—	—	12	—	—
	700	42	—	—	30	—	—
G.E.C. (*186)	180	18	26	32	6	90	12
	200	9	15	20	20	22	24
	220	5	0	—	38	38	—
Grand Met. (*370)	360	—	48	58	—	17	20
	382	23	—	—	23	—	—
	390	—	30	30	—	32	35
	420	10	20	—	55	60	—
I.C.I. (*974)	900	107	132	—	9	17	—
	950	72	97	115	25	32	42
	1000	47	70	80	50	57	65
	1050	22	47	37	84	84	90
Land Sec. (*317)	300	31	40	49	5	7	10
	330	13	22	31	17	20	22
	360	5	11	17	42	45	44
Marks & Spen. (*196)	180	25	32	39	4	5	9
	200	12	19	25	11	13	16
	220	5	10	13	24	27	29
Shell Trans. (*785)	700	100	120	—	7	14	—
	750	62	83	98	17	25	33
	800	30	50	68	42	48	50
Trafalgar House (*252)	260	15	24	31	15	17	23
	280	7	14	21	33	34	36
	300	4	70	—	50	50	—

Option		Calls Aug.	Calls Nov.	Calls Mar.	Puts Aug.	Puts Nov.	Puts Mar.
Lonrho (*238)	218	22	30	—	2	4	—
	236	6	19	—	6	10	—
	240	—	—	24	—	—	20
	255	2	9½	—	25	24	—
	260	—	—	14	—	—	35

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Brit Aero (*463)	460	22	37	55	15	30	33
	500	8	20	55	48	50	53
	550	3	9	20	95	95	98
BAT Inds (*393)	360	37	50	57	5	7	13
	390	17	28	37	13	20	25
	420	3	12	23	32	38	42
	460	1	5	—	72	75	—
Barclays (*517)	460	65	80	92	3	9	13
	500	32	48	65	15	22	27
	550	7	18	32	45	50	55
Brit. Telecom (*180)	180	7	18	23	9	14	19
	200	2	9	12	26	26	30
	220	1	4	6	46	46	48
Cadbury Schweppes (*163)	160	10	17	23	4	9	12
	180	4	9	13	18	21	22
	200	2	4	7	30	39	40
Imperial Gr. (*355)	300	57	65	—	1	2	—
	330	27	40	—	3	8	—
	360	12	22	—	20	23	—
Ladbroke (*338)	300	42	48	58	2	4	7
	330	18	27	38	7	11	15
	360	5	13	21	23	29	29
LASMO (*91)	90	12	20	23	6	11	14
	100	6	12	19	12	17	22
Midland Bk (*542)	500	50	65	80	5	6	12
	550	18	32	47	23	30	37
	600	5	12	25	67	70	75
P. & O. (*483)	460	33	45	65	6	13	22
	500	9	22	40	25	37	45
	550	3	9	18	70	72	75
Racal (*170)	160	18	26	34	4	7	10
	180	7	13	22	14	15	19
	200	2	0	13	32	32	32
R.T.Z. (*552)	550	25	55	72	15	25	32
	600	7	30	42	54	56	65
	650	3	15	27	102	105	107
	700	2	9	18	152	155	157
Vaal Reefs (*$53)	50	4½	7½	9½	3	5½	7
	60	1	4	5½	11	12½	14
	70	0½	2½	—	21	21½	—
Tr. 11¾% 1991 (*£108)	106	0⅞	1⅞	1⅝	1¼	1⅝	2⅝
	110	0¼	0⅝	1¼	2⅜	3¼	5⅜
	112	0⅛	0⅛	0⅛	4⅛	4⅛	5⅛
Tr. 11¾% 03/07 (*£118)	116	3	4⅛	5⅛	0⅝	2⅛	2⅜
	118	1⅛	3⅛	4⅛	1⅛	3	3⅝
	120	0⅞	2⅛	3⅛	2⅛	4⅛	4⅝
	122	0⅛	1⅛	2⅝	4⅛	5⅛	6⅛

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Beecham (*403)	360	52	62	73	2	7	12
	390	30	42	52	10	20	25
	420	16	28	37	30	37	40
	460	6	13	22	62	67	67
Boots (*255)	220	42	—	—	2	—	—
	240	24	33	40	6	9	12
	260	11	20	29	17	18	21
BTR (*293)	280	25	—	—	5	—	—
	300	—	—	33	—	—	25
	307	8	20	—	18	25	—
Bass (*755)	750	38	68	80	22	30	40
	800	18	32	53	50	58	65
	850	0	20	30	95	95	95
Blue Circle (*571)	550	45	—	—	7	—	—
	600	17	38	52	33	40	43
	650	5	17	33	80	80	80
De Beers (*$6.00)	550	80	—	—	14	—	—
	600	45	70	95	30	50	65
	650	22	45	55	65	75	90
	700	15	34	—	105	115	—
Dixons (*326)	300	32	44	32	3	10	15
	330	14	24	32	13	18	24
	360	5	11	20	36	38	42
GKN (*327)	300	40	48	—	4	5	—
	330	18	31	41	15	18	21
	360	9	17	23	34	36	39
	390	5	8	15	64	64	66
Glaxo (*953)	900	95	125	—	25	38	—
	950	65	95	130	45	55	70
	1000	45	75	105	75	90	100
	1050	30	55	85	115	120	125
Hanson (*170)	135	39	—	—	1	—	—
	150	24	—	—	1	—	—
	160	15	23	28	3	5	9
	180	6	13½	17	13	15	18
	200	2	6	9	31	31	34
Jaguar (*505)	460	60	70	—	4	13	—
	500	33	47	60	18	27	33
	550	12	27	38	50	55	60
Thorn EMI (*442)	420	37	55	67	7	17	21
	460	18	30	45	30	36	40
	500	4	17	27	62	62	65
	550	2	7	—	110	110	—
Tesco (*358)	300	70	—	—	2	—	—
	330	43	52	—	3	8	—
	360	22	33	45	10	20	29
	390	6	12	27	35	38	40

Option		Calls July	Calls Aug.	Calls Sept.	Calls Oct.	Puts July	Puts Aug.	Puts Sept.	Puts Oct.
FT-SE Index (*1541)	1550	14	33	50	70	17	27	33	40
	1575	5	20	37	57	35	43	43	53
	1600	2	13	27	45	60	62	65	72
	1625	1	7	18	35	85	85	85	90
	1650	1	4	11	27	110	110	110	110
	1675	1	2	7	20	135	135	135	135
	1700	1	—	—	—	159	—	—	—
	1750	1	—	—	—	210	—	—	—

July 25. Total contracts 13,747 Calls 8,168 Puts 5,579
*Underlying security price.

Japanese electronics group hit by tumbling exports

BY YOKO SHIBATA IN TOKYO

MATSUSHITA ELECTRIC, Japan's largest producer of consumer electric and electronic products, reports a 26 per cent decline in net earnings to Y94.8bn ($606m) for the six months ended May 1986.

The setback, the group's first in 11 years, is blamed on the appreciation of the yen which has severely curbed exports plus the fall in video recorder prices. Total sales dropped 8 per cent to Y2,293bn for the half-year.

Sales of video equipment, including VCRs and televisions, fell 18 per cent to Y793.2bn, while those of audio equipment narrowed by 11 per cent to Y200.0bn. Sales of refrigerators and other home appliances grew 4 per cent to Y338.5bn.

Because of the Yen's strength, overseas sales were slack, tumbling 16 per cent to Y1,045bn.

Matsushita could not make an earnings prediction for the full year. "The situation is fluid and this makes it difficult to make predictions," it said.

During 1985-86, the company says, it made strenuous efforts to cut operating costs and generally streamline production. But this did not fully offset the negative impact of the foreign exchange strength of the yen which ate into export profit margins.

Credit Suisse achieves strong first-half growth

BY JOHN WICKS IN ZURICH

CREDIT SUISSE, one of the Swiss big three commercial banks, achieved a marked expansion of business for the first half of this year and an increase in gross earnings.

The bank, which increased net profits by 23 per cent last year to SFr 507m ($295m) expects a further improvement for 1986 as a whole.

The rise in earnings in the first six months was due particularly to increased commission operations, while narrower margins meant that interest income remained unchanged. Income from securities business was considerably higher than in January-June, 1985.

Credit Suisse also earned more from foreign-exchange trading, though the precious metals sector suffered from "unfavourable market conditions."

The balance sheet expanded by 5 per cent during the first half to SFr 93.04bn. The corresponding increase of SFr 4.4bn since the end of 1985 would have been one of SFr 7.5bn but for the decline in the dollar.

Total loans and advances to clients were up 6.1 per cent during the first six months to SFr 42.43bn.

balance sheet, the bank experienced the same sluggish growth in clients' deposits as most other banks, these increasing by only 1.5 per cent to SFr 58.78bn.

● Handelsbank NW, the Zurich-based affiliate of the NatWest Group, reports "good overall results" for this year. In the first half, the board says, earnings were above both last year's levels and its own expectations thanks particularly to increased commission income.

In 1985 the bank's net profits had risen by 17 per cent to SFr 17.5m.

The consolidated balance sheet total rose 3 per cent over the first half to SFr 4.02bn

● Bank Julius Baer, of Zurich, reports a "very satisfactory" growth of earnings in the first half. All sources of income, particularly those from securities trading and commissions, are said to have clearly exceeded budgeted targets.

The bank forecasts "very good" results for the year. In 1985 net profits rose 21 per cent to a record SFr 28.8m.

The balance-sheet total expanded 14 per cent to over SFr 3.12bn in the first six months, bringing up the consolidated published assets of the Julius Baer group to some

CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar up on short covering

The dollar improved from Thursday's levels in the London foreign exchange market yesterday, underpinned by a little short covering ahead of the weekend. Once again there was little incentive to run short positions over the weekend despite a prevailing bearish undertone. The market was already looking ahead to next week's US trade figures which are expected to provide further incentive to establish a definite trend.

While the US economy shows little sign of recovering from a sluggish rate of growth, there was little enthusiasm for pushing the dollar weaker for the time being with recent comments by leading US officials bringing into question the wisdom of marking the dollar sharply lower. The US unit closed at DM 2.1450 from DM 2.1365 and Y157.60 compared with Y156.60. Elsewhere it finished at SFr 1.7320 from SFr 1.7240 and FFr 6.9390 compared with FFr 6.9050. On Bank of England figures, the dollar's exchange rate index rose from 112.7 to 113.4.

Sterling was generally weaker in late trading although its exchange rate index calculated earlier in the afternoon showed a rise to 73.0 from 72.9 at the opening and 72.8 on Thursday. However the pound dipped to $1.4830 from $1.4940 and DM 3.19 compared with DM 3.1925. It was also lower against the Swiss franc at SFr 2.5675 from SFr 2.5750 and FFr 10.29 from FFr 10.3150. A visible UK trade deficit of £623m was hardly encouraging while North Sea oil prices were marked down a shade. Trading was generally quiet and uneventful however with sterling relegated to the sidelines for much of the day.

£ IN NEW YORK

July 25	Close	Prev. close
£ Spot	$1.4780-1.4790	$1.4910-1.4920
1 month	0.43-0.42pm	0.42-0.41pm
3 months	1.20-1.18pm	1.25-1.20pm
12 months	4.40-4.30pm	4.42-4.37pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 25	Previous
8.30 am	72.9	72.8
9.00 am	72.9	72.8
10.00 am	73.0	72.8
11.00 am	73.0	72.9
Noon	73.1	72.8
1.00 pm	73.0	72.8
2.00 pm	73.1	72.9
3.00 pm	73.0	72.9
4.00 pm	73.0	72.8

CURRENCY RATES

July 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.798147	0.653857
US $	6	1.18858	0.980823
Canadian $	8.57	*	1.50923
Austria Sch	4	N/A	14.9504
Belgian Fr	8	N/A	43.8470
Danish Kr	7	8.60572	7.98128
D'mark	5½	N/A	2.12518
Guilder	4½	N/A	2.50544
French Fr	9½	N/A	6.87070
Lira	12	1746.71(1)	1450.02
Yen	3½	180.800	150.105
Norway Kr	8	8.95293	7.42091
Span'h Pta	—	N/A	135.850
Swedish Kr	8	8.41888	6.99058
Swiss Fr	4	2.00839	1.71362
Greek Drch	20½	164.758	156.5820
Irish Punt	—	0.856209(1)	0.71570

* C$/SDR rate for July 23: 1.65880.

(1) SDR rate for July 24.

CURRENCY MOVEMENTS

July 25	Bank of England Index	Morgan Guaranty Change %
Sterling	75.0	−19.1
U.S. dollar	110.4	+4.1
Canadian dollar	79.9	−12.5
Austrian schilling	127.9	+7.4
Belgian franc	95.4	−7.3
Danish Kroner	86.4	−1.0
Deutsche mark	156.9	+16.3
Swiss franc	165.1	+21.1
Guilder	127.1	+10.6
French franc	69.0	−15.8
Lire	46.8	−16.9
Yen	215.8	+60.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

July 24	£	$
Arg'tina	1.3550-1.3555	0.0100-0.0110
Aus'alia	2.4650-2.4685	1.6580-1.6600
Brazil	20.47-20.60	15.77-15.84
Finland	7.5530-7.6730	5.0810-5.0840
Greece	203.99-207.57	137.00-139.50
H'kong	11.6445-11.6555	7.8130-7.8140
Iran	115.90*	77.00*
Kuwait	0.46190-0.43265	0.29050-0.29080
Lux'burg	66.70-65.80	44.40-44.40
Malaysia	3.9485-3.9500	2.6460-2.6490
N'Z'land	2.8065-2.8150	1.8870-1.8920
Saudi Ar.	5.5775-5.5850	3.7515-3.7526
Sin'pore	3.2690-3.2640	2.1870-2.1890
S.Af. (Cm)	3.7940-3.8260	2.5545-2.5640
S.Af. (Fn)	7.2585-7.6505	4.8780-5.1280
U.A.E.	5.4595-5.4650	3.6720-3.6730

* Selling rate.

POUND SPOT—FORWARD AGAINST POUND

July 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4795-1.4910	1.4825-1.4835	0.43-0.40c pm	3.36	1.21-1.18pm	3.20
Canada	2.0520-2.0703	2.0550-2.0560	0.28-0.18c pm	1.34	0.65-0.43pm	1.05
Nethlnd.	3.57½-3.60½	3.57½-3.58½	1⅛-1⅛c pm	4.18	3⅞-3⅝pm	4.12
Belgium	65.70-66.64	65.70-65.80	17-12c pm	2.65	47-36pm	2.52
Denmark	11.95½-12.05¼	11.97-11.98	1⅜-⅜ore pm	1.13	5-3⅞pm	1.55
Ireland	1.0705-1.0750	1.0740-1.0750	0.10p dis-par dis	−0.56	par-0.20dis	−1.12
W. Ger.	3.17½-3.20¼	3.17½-3.18½	1½-1¼pf pm	5.42	4¼-3⅞pm	5.11
Portugal	210.28-221.64	210.28-220.97	70-155c dis	−0.41	190-470dis	−0.00
Spain	202.89-204.50	202.89-203.39	35-65c dis	−2.96	110-150dis	−2.56
Italy	2,180-2,200	2,181-2,182	2-6 lire dis	−2.20	8-12dis	1.83
Norway	11.12½-11.19¾	11.13½-11.14¼	4½-5½ore dis	−4.98	13-14¼dis	−4.89
France	10.28½-10.35¼	10.28½-10.29½	2½-1⅞c pm	2.41	6⅜-5⅞pm	2.43
Sweden	10.48-10.55	10.50-10.51	½ore pm-½ dis	0.21	¾-par pm	0.14
Japan	233½-235½	233½-234½	1¾-1½y pm	6.45	3-2¾pm	4.92
Austria	22.40-22.52	22.40-22.43	9¾-8¾gro pm	4.05	26⅞-23¼pm	4.52
Switz.	2.56¼-2.58½	2.56¾-2.57¾	1⅛-⅞c pm	4.67	3⅛-2⅞pm	4.67

Belgian rate is for convertible francs. Financial franc 66.30-66.40.

Six-month forward dollar 2.33-2.28c pm. 12-month 4.40-4.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4795-1.4915	1.4825-1.4835	0.43-0.40c pm	3.36	1.21-1.15pm	3.20
Ireland†	1.3804-1.3910	1.3815-1.3825	0.37-0.27c pm	2.77	1.20-1.00pm	3.17
Canada	1.3857-1.3880	1.3865-1.3875	0.22-0.25c dis	−2.03	0.70-0.80dis	−2.15
Nethlnd.	2.4100-2.4270	2.4145-2.4155	0.17-0.15c pm	0.79	0.60-0.55pm	0.95
Belgium	44.14-44.45	44.30-44.40	1-3c dis	−0.54	5-10dis	−0.68
Denmark	8.04-8.10½	8.07½-8.07¾	1.25-1.75ore dis	−2.23	3.25-3.75dis	−1.73
W. Ger.	2.1370-2.1565	2.1445-2.1455	0.38-0.35pf pm	2.04	1.05-1.00pm	1.91
Portugal	148¾-149¾	148¾-149¾	90-160c dis	−0.66	250-430dis	−0.13
Spain	136.60-137.45	137.05-137.15	60-90c dis	−5.56	180-220dis	−5.84
Italy	1,467-1,480	1,470¾-1,471¾	6-7½ lire dis	−5.50	17½-10dis	−4.95
Norway	7.48¾-7.53¾	7.50¾-7.51¼	5.00-5.40ore dis	−8.30	15.00-15.50d	−8.12
France	6.9175-6.9650	6.9365-6.9415	0.50-0.55c dis	−0.91	1.25-1.40dis	−0.76
Sweden	7.04½-7.09	7.08-7.08½	1.75-2.00ore dis	−3.18	5.25-5.60dis	−3.07
Japan	156.80-158.50	157.55-157.65	0.27-0.22y pm	1.86	0.74-0.69pm	1.81
Austria	15.05-15.15	15.12-15.12½	2½-1½gro pm	1.59	0-4pm	1.32
Switz.	1.7240-1.7380	1.7315-1.7325	0.22-0.17c pm	1.35	0.64-0.59pm	1.42

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 44.70-44.80.

EURO-CURRENCY INTEREST RATES

July 25	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	9¾-9⅞	9⅞-10	9⅞-10	9⅞-10	9⅞-10	9⅞-10
U.S. Dollar	6¼-6⅜	6⅛-6⅜	6⅛-6⅜	6½-6⅝	6½-6⅝	6⅝-6¾
Can Dollar	7⅞-8⅛	8-8¼	8⅛-8⅜	8⅜-8⅝	8⅝-8⅞	8¾-9
D Guilder	5⅛-5⅝	6½-5⅝	5⅝-5¾	5-5⅛	5⅜-5⅛	5⅝-5½
Sw. Franc	3¼-3½	1¼-1½	5-5⅛	5-5⅛	4⅞-5	4⅝-4⅞
Deutschmrk	4⅜-4½	4⅜-4½	4½-4⅝	4½-4⅝	4⅝-4¾	4⅝-4¾
Fr. Franc	7⅝-7½	7¼-7⅜	7¼-7⅜	7¼-7⅜	7⅜-7½	7⅜-7½
Italian Lira	9-10⅛	10¼-11¼	11¼-11¾	11¼-11¾	11⅜-11¾	11⅝-11⅞
B.Fr.(Fin)	6⅞-7⅛	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
B.Fr.(Con)	6¼-7¼	6¾-7⅛	7-7⅛	7-7⅛	7-7⅛	7-7⅛
Yen	4⅛-4⅞	4⅞-5	4⅛-4⅞	4¾-4⅞	4⅛-4¾	4⅛-4⅝
D. Krone	8¾-9¼	8¾-9¼	9-9½	9¼-9⅝	9⅝-10	9⅝-10¼
Asian $ (Sng)	6⅛-6⅜	6⅛-6⅜	6⅛-6⅝	6⅛-6⅝	6½-6⅝	9⅛-6⅛

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7⅛-7¼ per cent; four years 7⅜-7⅞ per cent; five years 7⅞-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

EXCHANGE CROSS RATES

July 25	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.483	3.180	233.9	10.29	2.568	3.580	2182.	2.060	65.75
$	0.674	1.	2.145	157.6	9.930	1.758	2.415	1471.	1.386	44.55
DM	0.314	0.466	1.	76.61	2.256	0.807	1.120	686.0	0.649	20.58
YEN	4.278	6.344	13.60	1000.	44.02	10.98	15.32	9355.	8.794	281.5
F Fr.	0.072	1.441	3.090	227.2	10.	2.495	5.479	2120.	1.898	63.90
S Fr.	0.389	0.576	1.239	91.04	4.008	1.	1.394	840.7	0.801	25.61
H Fl.	0.270	0.414	0.888	65.20	2.874	0.717	1.	608.4	0.574	18.37
Lira	0.458	0.680	1.458	107.2	4.717	1.177	1.641	1000.	0.942	30.14
C $	0.486	0.721	1.547	113.7	5.006	1.240	1.742	1061.	1.	31.00
B Fr.	1.521	2.256	4.857	356.6	16.65	3.005	0.446	5518.	5.126	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

Quiet ending in London

Interest rates showed little overall change in London yesterday. Trading was quiet ahead of the weekend with no new factors to influence the market. Longer term rates edged down a sixteenth of a point but there was little change in outlook on the prospects of a short term cut in base rates. Six-month interbank money eased to 9 13/16-9 15/16 per cent from 9⅞-10 per cent, while the three-month rate was unchanged at 9⅞-10 per cent. Weekend interbank money opened at 9¾-10 per cent and traded mostly at 10-10¼ per cent before rising to 10½ per cent during the afternoon.

The Bank of England forecast a shortage of around £700m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £266m and Exchequer transactions a further £145m. There was also a rise in the note circulation of £275m. These were partly offset by banks' balances brought forward £5m above target. To help alleviate the shortage the Bank offered an early round of assistance which comprised purchases of £58m of eligible bank bills, £34m in band 1 and 9⅞ per cent, and £24m in band 2 at 9 13/16 per cent.

The forecast was later revised to a shortage of around £650m before taking into account the early help and the Bank gave additional assistance in the morning of £169m through outright purchases of £46m of eligible bank bills in band 1 at 9⅞ per cent and £81m in band 2 at 9 13/16 per cent. In band 3 it bought £3m of local authority bills and £47m of eligible bank bills all at 9¾ per cent and in band 4 £7m of Treasury bills and £5m of eligible bank bills at 9 11/16 per cent. In the afternoon the Bank bills, £17m in band 1, £204m in band 2 and £87m in band 3, all at unchanged rates. Late help came to £50m, making a total of £585m.

The average rate of discount at the weekly Treasury bill tender fell by 0.0511 per cent to 9.5315 per cent. The £100m of bills on offer attracted bids of £543.3m and all bills offered were allotted. The minimum accepted bid was £97.615 against £97.595m the previous week and bids at that level were met as to about 3 per cent compared with 34 per cent previously. Next week a further £100m of bills will be on offer, replacing a similar amount of maturities.

UK clearing bank base lending rate, 10 per cent since May 22

FT LONDON INTERBANK FIXING

(11.00 a.m. July 25)

Three months US dollars		Six months US dollars	
bid 6 ½	Offer 6 ⅝	bid 6 ½	Offer 6 ⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

July 25	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Inter'n
Frankfurt	4.50-4.60	4.55-4.65	4.55-4.65	4.55-4.65	4.55-4.70	5.5
Paris	8	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	7⅛-11⅛	5⅛-5¼	—	5⅛-5⅛	—	—
Amsterdam	6⅛-5⅛	5⅝-5⅝	—	5⅛-5⅝	—	—
Tokyo	4.65585	4.65625	—	4.71970	—	—
Milan	11¾-18⅛	11⅝-11⅝	—	11⅛-11⅛	—	—
Brussels	6.50	7⅛-7⅛	—	7⅛-7⅝	—	—
Dublin	01⅛-9⅝	9⅝-9⅞	9¾-10	10⅛-10⅝	10⅛-10⅝	—

LONDON MONEY RATES

July 25	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9¾-10⅛	9⅞-10⅛	9⅞-10	9⅞-10	9 13/16-9 15/16	9 13/16-9 15/16
Sterling CDs	*	—	9 13/16-9⅞	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16
Local Authority Depos	9¾-9⅞	9¾-9⅞	9 15/16-10	9 15/16-10	9 15/16-10	9 15/16-10
Local Authority Bonds	—	—	10	10⅛	10⅛	10⅛
Discount Mkt Depos.	9¾-9⅞	9¾-10	9⅞	9¾	—	—
Company Depos.	9¾-10	9¾-10⅛	9 15/16-10 1/16	9 15/16	9 15/16	9 15/16
Finance House Depos	—	—	9 15/16	9 15/16	9 15/16	9 15/16
Treasury Bills (Buy)	—	—	9 13/16	9⅝	—	—
Bank Bills (Buy)	—	—	9 11/16	9 11/16	9 11/16	—
Fine Trade Bills (Buy)	—	—	10 1/16	10⅛	10⅛	—
Dollar CDs	—	—	6.45-6.50	6.45-6.50	6.45-6.50	6.55-6.60
SDR Linked Depos	—	—	6⅛-6⅜	6⅛-6⅜	6⅛-6⅝	6⅛-6⅝
ECU Depos	—	—	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛

Treasury Bills (sell): one month 9 11/16 per cent; three months 9½ per cent. Bank Bills (sell): one month 9 23/32 per cent; three months 9 21/32 per cent. Treasury Bills: Average tender rate of discount 9.5315 per cent. ECGD Fixed Finance Scheme IV reference data June 4 to July 1 (inclusive): 0.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 16. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 5½ per

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WORLD STOCK MARKETS

WALL STREET

Sharp rise on economic forecast

STOCKS SURGED ahead on Wall Street yesterday, following upbeat economic comments by the Reagan Administration which gave fuel to the week's rally.

The Dow Jones Industrial Average moved up 18.42 to 1810.04, making a rise of 32.06 on the week, while the NYSE All Common index, at $138.41 rose $1.16 on the day and $2.06 on the week. Advances led declines by 949-to-582 in a volume of 131.9m (134.7m) shares.

Stocks jumped in mid-morning as the Administration confirmed Press accounts that it expects 1987 growth to be over 4 per cent. Bond reaction was mild.

Some laid the blame for the big early July selloff on a growing fear that the economy was sliding into recession or extreme slowdown, which would cause profits to fall.

But with a trickle of upbeat reports, stocks gained in four of five sessions this week, while Bonds mostly went lower and interest rates higher. Durable goods orders were reported up 2.1 per cent in June, the first gain in four months. The first quarter GNP was revised upward and, at the close of last week's trading, the Federal Reserve was giving a view of the economy that was decidedly upbeat, with second half growth at 2.5 to 3.0 per cent and 1987 at 4 per cent.

Hammermill Paper climbed $5⅛ to $53¾—it received an offer from Paul Bilzerian at $52 a share. The bid was topped on speculation of a higher offer.

Safeway jumped $1½ to $61½—it was rumoured to be consider going private to avoid a takeover bid.

Teledyne climbed $23 to $318—it was reported to be considering the spin off of one of its units.

General Mills jumped $5⅛ to $89 on rumours to be considering divestitures of its own.

Allied Signal jumped $3 to $42 in heavy trading—it is considering share buybacks, or other restructuring, though no specific plan has been forwarded to its board. JC Penny advanced $4¼ to $83—an analyst citing a $120 a share takeover value was said to be behind the rise.

Hilton Hotels advanced $2⅞ to $65⅞ on a buy option.

Texas Instruments climbed $6⅞ to $89—after the close it reported a profit of 35 cents a share against a loss of 16 cents last year.

Western Union Common fell $⅞ to $4—the company couldn't explain the activity.

Lilco put on $⅞ to $12⅛—the Nuclear Regulatory Commission said that it was willing to hold hearings on evacuation plans for its Shoreham plant.

THE AMERICAN SE Market Value index rose 0.32 to 266.31 for a net rise of 0.09 on the week. Volume 9.66m shares.

CANADA

Stocks closed modestly higher in active trading, taking strength from the Wall Street advance.

The Toronto Composite index rose 5.00 to 2957.50.

Metals and Mines weakened. Falconbridge held unchanged at $19½—after the close, it reported a first-half loss against a year-earlier profit.

Among Precious Metals, Lac Minerals slipped $½ to $21½—it posted lower second quarter earnings despite increased revenues.

TOKYO

Share prices advanced modestly on heavy volume, as investors engaged in last-minute profit-taking and cleared out their positions in anticipation of the weekend.

The Nikkei Dow index rose another 24.35 to a record 18,050.59. Volume 1.2bn (1.3bn) shares. Declines outnumbered gains by 524-to-368.

Sharp increases in share prices over the past three days, however, encouraged some investors to cash in their profits, whittling down what might have been a stronger advance on the Nikkei Index.

The decision by the US Food and Drug Administration to allow US drug firms to make a hepatitus vaccine generated buying of pharmaceuticals.

Other Biotechnology - related shares also gained ground.

SINGAPORE

Short covering and some bargain-hunting helped share prices to close generally higher, after early softness in quiet trading.

Brokers said the market's direction remained uncertain because of lack of fresh factors and uncertainties surrounding the upcoming Malaysian General Elections.

The Straits Times Industrial index gained $.49 to 726.92 and the SE All Share index rose 0.36 to 234.91. Turnover 7.3m (9.6m) shares.

Chuan Hup Marine, off one cent at $51.21, led the actives with a turnover of 616,000 shares. Pegi Malaysia lost 3½ cents to 49½ cents with 497,000 units traded, while Promet held steady at 50 cents on 363,000 shares transacted.

HONG KONG

Higher for the fifth consecutive day on steady demand from institutional investors.

The Hang Seng index rose 7.57 to 1,843.57, bringing its gain for the week to nearly 84 points. The Hong Kong index put on 5.28 to 1,151.56.

Brokers said US, British and Japanese institutions continued to buy what they considered to be undervalued stocks, focussing mainly on Blue Chips.

GERMANY

Firmer after an active session as markets, seen as oversold, continued to recover from index lows early this week.

Positive reports about the economy, the slightly higher dollar and strong first half results for Dresdner Bank, up DM 4.5 at 409.5, combined with a technical upward reaction to make for yesterday's gains. But most shares ended off the best.

Banks, carmaker VW, up DM 7 at 467, and Electrical Siemens, up DM 1.5 at 614.5, were the most actively traded stocks.

The Commerzbank index of 60 leading shares, calculated at midsession, moved up 21.2 to 1,851.7.

Sports goods maker Puma was listed and started with a strong DM 495, compared with a DM 310 mark issue price.

Deutsche led the Banking sector, rising DM 2[illegible] to 790. Commerzbank added DM 8 at 307.50.

SWITZERLAND

Domestic stocks again higher on average turnover.

Dealers said the firmer dollar helped the Stock Market to continue the recovery after the slump of the first two days of the week.

Internationally known shares generally recorded minor gains, while the winners were led by "secondary" issues.

PARIS

Firmer at the end of a fairly quiet session. Advances led declines by 102-to-70.

Observers said French investors had been taking profits on the gains of the last two sessions. There was also some concern over the rise in short-term domestic interest rates. The Call money rate has risen by a full percentage point since Monday, but the Bank of France announced after the Bourse closed yesterday that it had kept its money market intervention rate at 7 per cent when it injected liquidity into the market.

AUSTRALIA

Lower as investor sentiment remained bearish in the wake of the falling dollar and Thursday's series of negative economic news.

The All Ordinaries index was 9.6 easier at 1,118.8, the All Industrials 16.8 at 1,783.4, the All Resources 3.4 to 615.6 and the Gold index 5.6 to 970.1.

National turnover 82.6m shares worth A$188.3m (87.5m shares valued at A$158.2m). Falls outnumbered rises 302 to 177.

JOHANNESBURG

Gold shares were mostly higher on continued demand for selective issues, as the gold price held firm and the financial rand eased slightly.

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COMMODITIES AND AGRICULTURE

REVIEW OF THE WEEK

US labour troubles buoy up aluminium

BY RICHARD MOONEY

SIGNS THAT US labour disruptions are escalating again ensured that aluminium remained the strongest feature on generally firmer London Metal Exchange markets this week.

Strikes are continuing at some Alcoa and Reynolds Metals installations following workers' rejection of employers' wage-cutting terms for new labour contracts. A couple of Alcan plants are also strike-bound.

The situation could become more serious next week as a further clutch of labour negotiations run up against their contract deadlines.

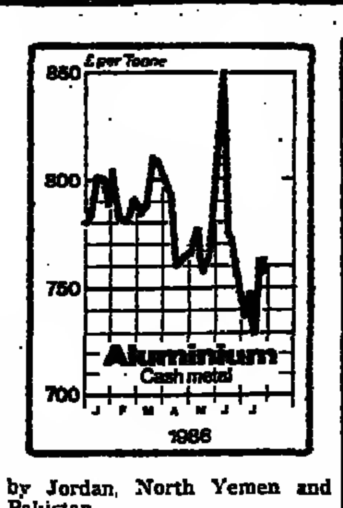
Concern about possible supply shortages as a consequence of further US production disruption encouraged a £34 rise in the cash aluminium position on the LME this week. This lifted the price to £763 a tonne, £34 up from the seven-month lows seen in the middle of this month, when it seemed likely that aluminium industry workers would follow the example of their counterparts in the copper industry, who succumbed to employers' calls for wage cuts after putting up surprisingly little resistance.

For its own part the LME copper market appears to have absorbed the wave of selling sparked off by disappointment at the bloodless settlement of the US labour round. Cash Grade A copper ended the week £8.50 higher at £897 a tonne, exactly recouping last week's decline but still £18.50 down from the beginning of the month.

Another strong performer this week has been zinc, with cash metal moving £18 higher to £554.50 a tonne—a 12-month high. The firmer trend reflected improved European demand and speculative buying encouraged by talk of a further decline in LME warehouse stocks this week. News that workers at the Broken Hill lead and zinc mines in Australia had returned to work after a 6-week stoppage (once again in response to management's cost cutting proposals) had little market impact. Dealers explained that it would be some time before Broken Hill supplies began flowing again and in the meantime the full impact of the strike would still be working through.

Among the soft commodities the strongest performer was sugar, with the London daily raws price finishing $13.50 higher on the week at $145.50 a tonne. The advance was influenced by talk of renewed Chinese buying and the EEC Commission's decision to curb exports because of the widening gap between the world market and the EEC support level, which was pushing up the cost of subsiding exports.

Other factors mentioned in the market were the rolling forward of shipments from Thailand, which had been threatening to flood the European market with unwanted sugar, and announcements of white (refined) sugar buying tenders by Jordan, North Yemen and Pakistan.



Cocoa prices continued to consolidate the gains which followed last week's successful renegotiation of the International Cocoa Agreement. The September futures position ended another £25 higher at £1,432 a tonne.

In Geneva meanwhile talks on the final detail of the agreement have continued and were due to conclude last night. There has been some nervousness, however, ahead of the return to the meeting of Mr Denis Bra Kanon, the Ivory Coast Agriculture Minister, whose dramatic walkout from a negotiating session in February seemed to have doomed the pact and whose change of heart at the current round of talks made its survival possible. As the world's biggest cocoa consumer the Ivory Coast's participation is considered vital for the continuation of the price-stabilising pact.

The coffee market had a fidgety week with rains easing the Brazilian drought fears which pushed prices some £300 a tonne higher in the space of two weeks but the possibility of a damaging frost discouraging sellers. Nearby futures prices ended little changed on balance after a £43.50 fall was mostly recouped yesterday.

WEEKLY PRICE CHANGES

[illegible]

INDICES

REUTERS

July 25	July 24	M'th ago	Year ago
1452.1	1444.7	1498.8	1684.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 24	July 23	Month ago	Year ago
Spot	126.64	126.86	—	115.10
Fut.	115.68	116.64	—	118.30

(Base: December 31 1931=100)

US MARKETS

SUGAR FOUND renewed support following technically motivated buying after its low- and 20-day moving average turned upwards in mid-week, reports Heinold. Further support from Commission House and stop-loss buying lifted the October position to a close of $8.77, the highest for almost four weeks. Although fundamental news remained scarce, background features such as a suspected heavy tender by Pakistan was thought to add additional bullish impetus. New York coffee futures ended the week on a strong note, booking another 2c rise in the leading September delivery to close above 185c. The critical technical resistance level at 190c was briefly penetrated, but suspected origin offerings and nervous profit-taking quickly pared values on the close. From Brazil the weather forecast for the weekend indicated no hint of potentially damaging cold fronts, although with IBC officials completing inspections of growing areas this weekend and with certain reports suggesting a smaller-than-expected estimate of this year's crop, sentiment on the floor did not dictate large operators to be overtly short.

NEW YORK

[illegible]

CHICAGO

[illegible]

ALUMINIUM

ZINC

COPPER

GOLD

LEAD

SILVER

NICKEL

COFFEE

GRAINS

SOYABEAN MEAL

COCOA

RUBBER

GAS OIL FUTURES

POTATOES

OIL

CATHODES

MEAT

SUGAR

FREIGHT FUTURES

[illegible]

LONDON STOCK EXCHANGE

Equities steadier but index down 31.7 on week

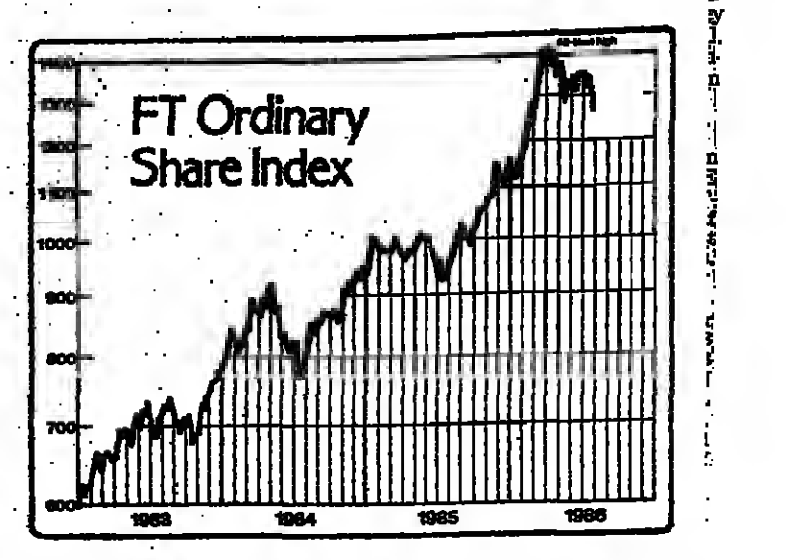
Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* New-time dealings may take place from 9.30 am two business days earlier.

Equity markets ended the last session of the trading Account on an extremely subdued note. Investment confidence remained at a low ebb after a week in which equities had been adjusted sharply downwards in the wake of political uncertainties and growing fears about the signs of flagging growth in the world's economies.

Leading shares eventually arrested the slide after drifting easier in the afternoon. There were few signs of any buying interest after 3.30 pm when buying is permitted without penalty for the new Account. However, the early improvement on Wall Street assisted late sentiment and the Financial Times Ordinary share index which posted a fall of 5.9 at 3 pm closed only 0.2 down at 1263.7, for a fall of 31.7 on the week. Over the Account the index recorded a fall of 73.6. During the same period the FT-SE 100 share index fell 80.6.



Once again, the volume of business was light and much of the day's activity was confined to the squaring of book positions. Oil shares came under pressure following a sharp reaction in Britoil in response to news of the halving of the dividend and slump in interim earnings.

Developments on the takeover scene included news of an agreed bid for G. Ruddle from Grand Metropolitan. This enlivened demand for a number of other potential bid candidates.

Government securities ended a relatively good week on a rather quiet note. Long-dated stocks, up around ¼ for most of the day, tended to drift back to previous closing levels in the late dealings. Elsewhere, index-linked stocks were featured in the after-hours by the announcement of Government funding via the issue of a further £400m tranche of 2½ per cent 2016 stock in £40-paid form. This prompted a reaction of around ¼ in other index-linked which had initially shown gains of around ¼ or so.

Lloyds drift lower

Lloyds got the clearing bank interim dividend season off to a very quiet start yesterday, revealing first-half profits of £335m, a shade higher than the Board's forecast of £333m made at the time of its unsuccessful bid for Standard Chartered. Consequently, little interest was shown in the shares which drifted down 4 to 398p with investors more inclined to await NatWest's half-year figures on Tuesday. NatWest, whose profits of around the £450m-£460m are expected, moved up 4 to 512p, while Barclays added 8 at 520p and Midland hardened a penny to 570p. Elsewhere, contrasting features emerged among foreign issues. Deutsche added 5½ points at £246, but ANZ relinquished 11 at 185p.

Composites ended the Account on a quietly dull note. Further persistent offerings and lack of support left GRE 18 down at 877p and General Accident 9 off at 823p. Sun Alliance declined 11 at 667. Elsewhere, Equity and Law and Legal and General lost 5 apiece to the common level of 245p. Allianz, meanwhile, jumped 37 points to £694 while sentiment here helped by news of the successful rights issue result.

Breweries provided an early feature in Rutland-based real ale concern G. Ruddle which leapt to 280p before settling 80 higher on balance at 255p following the agreed offer from Grand Metropolitan, a penny to the good at 372p. Other leaders closed narrowly mixed although dealers reported a lively two-way business.

The Building sector remained firmly in the doldrums, sentiment not helped by vague rumours about the possible imposition of VAT on new houses. Barratt Developments dipped to 120p prior to closing a couple of pence cheaper at 130p, while George Wimpey finished 2 off at 201p, after 199p. John Laing were particularly dull at 448p, down 10, while Trafalgar House lost 12 at 332p and Tarmac shed 14 to 438p. Among Cements, Blue Circle came on offer following reports of a broker's profits downgrading and settled a net 21 down at 572p. RMC gave up 10 to 642p and Rugby Portland Cement softened a couple of pence to 156p. Elsewhere, scrappy selling in an unwilling market left Taylor Woodrow 17 lower at 301p and Alfred McAlpine 8 off at 426p. Redland dipped 7 to 429p and BPB Industries lost the same amount at 500p. Berkeley Group shed 7 to 448p despite the chairman's confident annual statement, but Cement Roadstone attracted buyers and firmed 3 to 115p. Speculative counter Raine Industries reacted afresh to 72p before revived demand left the close 3 dearer on balance at 77p.

Favourable comment on the half-year results combined with currency influences to boost ICI 12 to 994p. Elsewhere in the Chemical sector, Yorkshire attracted speculative support and gained 4 to 136p.

Preedy dull

Stores finished a depressing Account on a dull note. Once again, dealers marked quotations lower in an attempt to find a trading level and although prices rallied slightly after-hours, losses remained in the majority. Gussies A met fresh profit-taking in the wake of the full-year figures and dipped 10 more to 985p. Elsewhere, Alfred Preedy slumped to 100p before settling a net 8 off at 104p in reaction to the annual profits setback. Sellers also held sway in Goldsmiths, 10 lower at 192p, Ellis and Goldstein, 6 off at 92p, and Blacks Leisure, another penny cheaper at 7½p.

Electricals regained some composure after Thursday's depression that stemmed from analysts' downgrading profit estimates for Diploma. The latter softened a few pence more to a new low of 192p, but others rarely strayed from their overnight levels. Plessey, still reflecting fears that GEC would be thwarted in its attempt to bid for the company, softened a couple of pence more for a two-day decline of 16 at 202p; GEC rose 4 to 188p. Cable and Wireless rallied 8 but still sustained a fall on the week of 43 at 645p. Holmes Protection (formerly SCUSA), lost 7 to 128p on profit-taking in the absence of the widely-rumoured bid.

Renold highlighted the Engineering sector, jumping 9 to 76p on persistent speculative buying fuelled by talk of an imminent bid for the company. Elsewhere, Blackwood Hodge rose a couple of pence to 42p following demand of a similar nature. Hallite reflected Press comment with an improvement of 5 at 195p. Delta, however, lost 10 at 184p and Laird retreated 11 to 242p. Bullough gave up 13 to 285p on further consideration of the half-year figures. Among the leaders, GKN softened a few pence to 327p; the first-half results are due on August 6.

Particularly dull on Thursday reflecting persistent small selling and lack of support, Food issues made a steadier showing. ASDA-MFI, a dull market since the annual results, rallied a couple of pence to 136p, while J. Sainsbury improved the same amount to 372p. Bejam edged up 3 to 170p helped by "new time" buying interest, but Kwik Save shed 6 to 260p. Elsewhere, Ranks Hovis McDougall revived strongly amid suggestions that S. and W. Berisford is preparing to sell its stake in the company and closed 6 higher at 209p. Unigate picked up 2 to 280p. Cheshire Wholefoods, still reflecting the chairman's optimistic statement, firmed 4 afresh to 252p, while Bensons Crisps continued to respond to the profits recovery and gained 6 more to 50p.

AGB Research fall

AGB Research provided an outstanding dull feature among miscellaneous industrials, plummeting 26 to 170p following the Board's profits warning which accompanied details of the company's joint venture with an affiliate of Schroders. The Times Veneer touched a new peak of 62p in the early dealings before reacting to 57p after profit-taking following confirmation that a large shareholding in the company had changed hands before ending an eventful session a penny cheaper on balance at 58p. Pentland dropped to 395p before rallying after-hours' to finish 10 lower at 415p, while falls of 6 and 8 respectively were seen in Myson, 121p, and Powell Duffryn, 268p. Brengreen were unaltered at 47p following the announcement that Hawley had increased its stake in the company to just under 19 per cent; on Tuesday, Brengreen received an agreed cash offer of 45p per share from BET. Reuters, meanwhile, advanced 12 to 500p as investors showed a sudden interest ahead of Monday's annual results. The leaders ended a traumatic Account on a mixed note. Boots edged forward a further penny to close the week with a gain of 14 at 257p; the shares have moved against the trend on speculative and traded option activity fuelled by rumours of a bid, possibly from Argyll Group.

Leisures were again friendless. Further consideration of the respective interim and full-year figures left Saga 10 lower for a two-day decline of 23 to 140p, and Viewplan 3 cheaper at 55p. End-Account offerings clipped 8 from Sangers Photographics at 78p. SelecTV provided a rare firm spot, however, rising 3 more to 27p amid persistent speculative interest.

Motor Components retained an irregular appearance. Lucas Industries dipped to 537p partly reflecting talk of possible industrial action at its electrical division but rallied to close only 5 lower on balance at 543p. Dowty lost the turn to 217p, after 214p, despite the favourable reception afforded the preliminary figures. AE held at the overnight level of 224p following the company's latest retort to the unwelcome offer from Turner and Newall. Jonas Woodhead returned to favour, however, rising 4 to 61p on revived hopes of a bid from Carclo. Further consideration of the full-year figures lifted BTS 2 for a two-day rise of 5 to 81p. Jaguar, 506p, and ERF, 85p, met fresh profit-taking and fell 9 and 3 respectively. Distributors usually displayed modest losses for choice. Lex Service shed a few pence to 300p in front of next Thursday's half-timer. Western Motor, still awaiting news of the property revaluation, closed 13 off at 195p with the A shares finally 5 cheaper at 143p.

Leading Properties drifted lower still in the absence of buying interest before staging a minor rally after hours. Secondary issues displayed a bright feature in potential shell situation Parkdale which attracted fresh speculative demand and put on 14 to 84p for a gain on the week of 25. On the other hand, end-Account profit-taking clipped 10 from recently-firm Marler Estates at 545p and 20 from Speyhawk at 393p. Abaco traded briskly and settled 3 cheaper at 66p with the new nil paid shares 4 lower at 17p premium.

Textiles, the subject of considerable speculative demand recently, paused for breath and generally displayed modest losses. Atkins Bros again encountered occasional offerings and dipped 11 for a fall of 46 on the week to 252p. Hugh Mackay, 7 off at 93p, and Lister, 3 cheaper at 99p also lost ground. Burmatex, still surrounded by takeover chatter, touched a new peak of 204p before settling 8 higher on balance at 198p; the interim results are expected next Tuesday.

Berry Trust eased a few pence to 253p following the £86m bid from Ensign Trust, 2 off at 146p. *Financials highlighted* renewed demand for "shell" situation NMC Investments which advanced 11 to 128p following the interim statement and proposed acquisition of Interpoly, a private polythene packaging concern.

Britoil sharply lower

The widespread retreat by the oil sector which started late on Thursday afternoon gathered momentum yesterday following much-worse-than-expected interim results from Britoil. The latter's interim profits were some £6m below analysts' forecasts but more damaging was the halved interim dividend. Quoted at 130p immediately prior to the figures Britoil shares were immediately marked down to 115p and fell further during the after-hours trade to close a net 26 lower at a record low of 110p. Apart from Shell, which managed a 4 rise to 790p following the well-received results from US subsidiary Shell Oil, other leading oils also came under persistent selling pressure. BP, disturbed by the second quarter loss announced by US subsidiary Standard Oil, dropped 10 more to 563p while Enterprise gave up 6 to equal the year's low of 89p and LASMO settled 5 down at 95p. Tricentrol were a like amount off at 45p.

A firm performance by the bullion price and an initial improvement in the Financial Rand helped South African golds close the week on a steady note. The Gold Mines index edged up 0.9 to 196.7, extending the gain on the week to one of 11.0.

South African Financials were no better than mixed but Platinums attracted good demand amid fears of possible disruptions to South African supplies and Impala advanced 20 to 570p. Rustenburg, boosted by the good preliminary profits and sharply increased dividend, rose 15 to 570p.

The latest retreat by Sydney and Melbourne markets and a further decline by the Australian dollar prompted renewed weakness in Australians.

Traded Options

Demand for Traded Options remained at a relatively low ebb. Total contracts struck amounted to 13,747. Once again, operators centred their attentions on British Telecom and Hanson Trust which contributed 2,061 and 1,326 calls respectively. The FT-SE 100 index contract attracted 502 calls and 1,345 puts.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Abaco Investments, Britoil, Prestwich, Hillsdown, Air Call, Amber Day, Wellcome, Barrow Hepburn, Johnson and Firth Brown, Intervision, Parkdale, Raglan Property Trust, Thomas Marshall (Loxley), Sound Diffusion, Phoenix Property, Plessey, Amstrad, Nolton, Polly Peck, York and Equity, Riley Leisure, Newman Industries, Dwek and Thermax. No puts were reported, but doubles were taken out in Amstrad and Wigfalls.

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STOCK EXCHANGE DEALINGS

Details of business shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information services. Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the three previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

CORPORATION & COUNTY

Greater London 6¾pc 1990-92 £89 ¼ ½ ¾ 90 ¼
Birmingham Cpn 3½pc 1946 £32¼ (23/7)
Birmingham Dst 11½pc 2012 £113 (18/7)
Blackburn 3½pc £32 (18/7)
Bristol (City) 11½pc 2008 £111½ (22/7)
Bristol Cpn 3½pcDb £32 (22/7)
Islington 11.9pc 2017 £116¼ (18/7). 12½pc 1986-87 £100⅛ (22/7)
Kensington Chelsea 11.15pc 2006 £108 (23/7)
Leeds (City) 13½pc 2006 £129¼ (21/7)
Oldham Met 12.40pc 2022 £121
Salford 5½pc 1986-88 £93¼
Southwark 6¾pc 1983-86 £96½ (23/7).

UK PUBLIC BOARDS

COMMONWEALTH GOVT.

STERLING ISSUES BY OVERSEAS BORROWERS

BANKS, DISCOUNT

BREWERIES

COMMERCIAL, INDUSTRIAL

A—B

Barr & Wallace Arnold Tst 160 (23/7)
Barton Grp 6pcPf (£1) 54 (18/7)
Beales (J.) 8½pcLn 1989-94 £155 (23/7)
Beattie (J.) 6¼pc1stDb 1986-90 £77
Beazer (C. H.) (Hldgs) 8½pcLn 2000 £172 3
Beecham Grp 8½pcLn 1984-94 £94 5
Belgrave Hldgs 7pcPf (£1) 58 (22/7)
Birmid Qualcast 7¼pcLn 1987-92 £84½ (21/7)
Blackwood Hodge 6pcPf (£1) 51 (21/7). 9pcLn 1965-90 £86¼ (21/7)
Blue Bird Confectionery Hldgs 86
Blue Circle Inds 5¼pc2ndDb 1984-2009 £65½ (18/7). 6pcDb 1988-93 £83½. 7pcDb 1988-93 £89½. 9pcDb 1992-97 £96. 10¼pcDb 1994-99 £102¾. 6¼pcLn

C—D

E—F

G—H

I—J—K

L—M

M.K. Electric 7½pcLn 1988-01 £87½ (21/7)
M.Y. Holdings Dfd (10p) 32
McAlpine (Alfred) 9pcPf (£1) 119½ (23/7)
McCarthy Stone 7pcLn 1990-04 £120
Macro 4 (5p) 167 71½ 5 7
Magnet Southerns 5.25pcPf (£1) 78 (22/7)
Manganese Bronze Hldgs 6¼pcPf (£1) 72 (18/7)
Manor National 10½pcPf (£1) 88 (23/7)
Mappin Webb Hldgs 6pcPf (£1) 50 (22/7)
Marks Spencer 7pcPf (£1) 83
Marshall (Thomas) (Loxley) 117 8 9 22 3 4 6 8 9
Marshalls Halifax 10pcPf (£1) 116 (16/7). 7¼pcDb 1966-91 £61 (22/7)

N—O

P

Q—S

T—U—V

W—Y—Z

FINANCIAL TRUSTS

INSURANCE

INVESTMENT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

Cambridge Water 4pcDb £30 (22/7)
Colne Valley Water 3.5pc £46 (21/7). A 7pc £70. C 7pc £70⊕. 4.0pc £53 5
East Surrey Water B 4.0pc £55 (22/7). 2.8pcPf £32 (21/7). 4pcDb £30 (22/7)
East Worcs Waterworks 3.5pc £46 (21/7)
Eastbourne Waterworks 7½pcDb 1990-92 £85. 10½pcDb 1995-97 £99
Essex Water 3.5pc £40. 3.5pcPf £42⊕. 4.2pcPf 1984-88 £95⊕. 5pcDb 1986-91 £80 (18/7)
Hartlepools Water 3.5pc £46 (22/7)
Lee Valley 3.5pc £48 (21/7)
Mid Kent Water 3.5pc £43

USM APPENDIX

UNLISTED SECURITIES MARKET

Kenyon Secs 230 1½ 5
M6 Cash and Carry New 89
Memory Computer 7.8pcPf 1994-98 (Ir£1) 145
New England Props 10pcLn 1090 £90 1 (22/7)
Parkfield Gp 7pcPf (£1) 210 4½ 5½
Paul Michael Leisurewear (5p) 50 ½ 1 2
Pevion Intnl 3.85pcPf (£1) 50 (21/7). 11pcLn 1994-2002 £105
Personal Computers New (5p) 111 2 3
Property Tst A (£1) 4½
Shield Gp New (5p) 130 2 5 5 40
Sigmex Intnl (10p) 55 (23/7)

SPECIAL LIST

Du Pont (E. I.) $77⅝⊕ (21/7)
Ethyl Corp £13⊕ (23/7)
Generale Occidentale £99¼⊕
Gould Inc £10⅝⊕ (23/7)
Hang Lung Devel HK57⊕ (22/7)
Hearne North West 2½ ¾ (23/7)
Harland (John H.) £31¼ (18/7)
Hartogen Energy 630 (18/7)
Heineken NV (Fl) 164¾ (28/7)
Hitachi 329⊕
Hong Kong Kowloon Wharf HK$7.45
Hong Kong Electric Hldgs 80½
Hong Kong Telephone 102 8½ (23/7)
Hunter Res 39 (22/7)
Jardine Secs 119 (21/7)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Real Ests Comm Tst 6¼pcSubDb 1987-92 £94½ 5pc
SEP Industrial (5p) 24 ...
Seymours 4pcPf (£1) 51 (18/7)
Sinclair Research 63 5 (22/7)
Southern Newspapers (£1) 220 2 5 (23/7)
Thwaites (Daniel) (£1) 650 3
Wisech (1p) 13 14 (23/7)

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

None

FINANCIAL TIMES STOCK INDICES

	July 25	July 24	July 23	July 22	July 21	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.19	89.19	88.86	88.74	88.88	83.46	80.39 (18/4)	127.4 (20/1)	49.18 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.03	95.83	95.65	95.55	95.63	88.50	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,263.7	1,264.2	1,286.8	1,274.7	1,276.3	924.1	1,425.9 (3/4)	1,094.3 (14/1)	1,435.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	196.7	195.9	197.2	189.7	188.4	332.6	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.36	4.36	4.27	4.31	4.31	5.02				
Earnings Yld. % (full)	10.43	10.49	10.32	10.41	10.40	12.53				
P/E Ratio (net) (*)	11.67	11.59	11.78	11.68	11.70	9.75				
Total Bargains (Est.)	22,836	22,986	23,021	23,348	26,074	20,940				
Equity Turnover £m.	—	521.66	482.98	404.78	435.55	576.09				
Equity Bargains	—	19,574	18,858	19,952	21,392	19,096				
Shares Traded (ml).	—	238.2	212.1	213.6	214.3	274.9				

S.E. ACTIVITY

Indices	July 24	July 23
Gilt Edged Bargains	109.4	122.0
Equity Bargains	126.8	122.2
Equity Value	1,054.4	976.2
5-Day Average		
Gilt Edged Bargains	123.4	128.1
Equity Bargains	129.7	132.9
Equity Value	995.2	999.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1262.9	1264.2	1263.8	1263.4	1261.6	1260.6	1260.3	1260.3

Day's High 1264.5. Day's Low 1259.4.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.27.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Abaco Investments	66	−3	Enterprise Oil	99	−6
BET Deferred	408	−7	Jaguar	506	−9
Blue Circle	572	−21	Microgen	363	−2
Bristol Oil and Mins.	14½	+3	Ranold	76	+9
Britoil	110	−26	Taylor Woodrow	301	−17
Burmatex	198	+8	Trafalgar House	252	−11

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
ICI	30	982	−18	Abaco Invs.	18	69	−4
Reine Inds.	26	74	−6	Brengreen	16	47	+1½
Dowty	23	216	+13	Beecham	15	398	−13
Times Veneer	23	59	—	Boots	15	256	−1
Cable & Wire.	21	637	−8	Brit. Telecom	15	182	−8
Parkfield	20	540	+5	Pentland Inds.	14	425	−15

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of changes	Thurs. close	Change on week	Stock	No. of changes	Thurs. close	Change on week
Cable & Wire.	106	637	−61	Jaguar	80	515	−25
Glaxo	105	950	−43	Britoil	79	136	−13
ICI	93	982	−12	Boots	78	256	+14
BAT Inds.	85	395	−5	Grand Met.	78	371	−19
Reine Inds.	85	74	−12½	Beecham	77	398	−27
Brit. Telecom	82	182	−16	RTZ	77	553	−12

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (36)

AMERICANS (6) FPL Group, Houston Inds Inc, Pacific Gas & Elec, Pacific Telesis, RJR Nabisco Inc, US West. BREWERS (1) Ruddle (G.). BUILDINGS (1) Vibroplant. CHEMICALS (1) Morley (R. H.). ELECTRICALS (2) ASEA AB A, Toshiba Corp. FOODS (2) Banana Crisps, Cheshire Wholefoods). INDUSTRIALS (3) Aluminium, Continental Stationery, The Times Veneer. INSURANCE (1) ... LEISURE (1) Seltel TV. NEWSPAPERS (1) Home Counties News. PAPER (1) ... PROPERTY (3) Apex Props, New Cavendish, Parkdale. SHIPPING (1) Runciman (W.). TEXTILES (1) Burmatex. TRUSTS (8) ... PLANTATIONS (1) Grand Central.

NEW LOWS (62)

AMERICANS (4) Amer Medical Int, Cont Illinois Corp, Eaton Corp, IU Intl. CANADIANS (3) Breakwater Res, Can Imp Bank, Can Pacific. BANKS (4) ANZ, Mercury Intl, Nat Australia Bank, Westpac. STORES (4) Bedford (Wm), DAKS Simpson A, Gee (Cecil), Preedy (A). ELECTRICALS (13) Black & Decker, Brit Telecom, Cambridge Elect, Dale Elect, Electrocomponents, Intl Signal & Control, Laser Lab, Memec, Oceonics, Philips Finance 5¾pc, Philips Lamps, Rodime, Wayne Kerr. FOODS (1) Fitch Lovell. HOTELS (1) ... INDUSTRIALS (9) ... LEISURE (3) A & C Group, Saga Holidays, Wembley. NEWSPAPERS (1) EuroMoney. PAPER (3) ... PROPERTY (1) ... SHIPPING (1) British & Commonwealth. OILS (8) ... MINES (7) ... Explorations.

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	34	37	41	278	144	138
Corporations, Dom. and Foreign Bonds	30	0	40	72	64	214
Industrials	148	443	919	593	2,367	4,180
Financial and Properties	50	162	365	373	809	1,703
Oils	10	28	80	64	133	387
Plantations	1	0	14	5	9	61
Mines	41	45	100	264	225	441
Others	65	63	129	312	364	589
Totals	377	778	1,688	2,361	4,121	7,713

LEADERS AND LAGGARDS

Percentage changes since December 31 1985 based on Thursday, July 24 1986

Metals and Metal Forming	+38.73	Financial Group	+14.95
Motors	+38.08	Investment Trusts	+14.71
Textiles	+35.81	Brewers and Distillers	+13.74
Publishing and Printing	+33.77	Industrial Group	+13.36
Contracting, Construction	+31.46	All-share Index	+12.74
Packaging and Paper	+27.11	Office Equipment	+12.58
Building Materials	+24.62	500 share Index	+12.32
Tobaccos	+24.39	Food Manufacturing	+12.09
Chemicals	+22.23	Stores	+10.48
Health and H'sehold Products	+22.01	Overseas Trading	+9.29
Other Industrial Materials	+21.00	Electronics	+9.23
Insurance (Composite)	+20.90	Insurance (Life)	+6.53
Capital Goods	+20.58	Shipping and Transport	+5.17
Mechanical Engineering	+19.28	Oils and Gas	+4.54
Banks	+18.94	Mining Finance	+3.48
Electricals	+17.49	Insurance Brokers	+2.81
Merchant Banks	+16.91	Other Groups	+2.46
Leisure	+16.38	Food Retailing	−0.18
Property	+15.38	Telephone Networks	−18.45
Consumer Group	+15.28	Gold Mines Index	−21.57

† Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 ... xd Ex dividend. sc Ex scrip issue. xr Ex rights. xa Ex all. ...

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	167	136	♦Accord Publications 5p	166	−1	R¢3.1	2.6	2.6	21.0
‖‖	F.P.	15/8	127	108	♦Airsprung Group 10p	112	+4	5.4	2.8	6.8	7.4
§115	F.P.	22/8	142	128	♦Anglia Sec Homes 10p	130	......	R1.65	5.0	1.8	16.0
115	F.P.	11/7	190	155	Arlington Sec. 10p	173	+3	b1.7	4.3	1.4	23.7
§67	F.P.	8/8	71	68	♦BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
§145	F.P.	15/8	158	145	♦Benverco 5p	147	−5	u5.0	2.4	4.8	11.7
‖‖	F.P.	—	53	41	Bertrams Inv. Tst	44	......	—	—	—	—
§37½	F.P.	25/7	43½	38	♦Bipel 5p	42	......	R1.225	3.1	4.1	10.5
125	F.P.	8/8	147	128	♦Borland Intl. Inc	142	+1	n02e	1.4	1.0	19.9
145	F.P.	25/7	175	148	Brixton Props	150	......	R4.25	2.3	4.0	12.7
§60	F.P.	20/6	61½	54	♦Brit. Isl. Airways 10p	55	......	bd2.82	2.1	7.2	7.7
§63	F.P.	6/8	69	61½	♦Camotech 10p	66	......	R2.0	2.4	4.3	13.5
§110	F.P.	18/7	115	85	♦C'bell & Armstrong 5p	95	−5	u3.91	1.9	5.8	12.1
§125	F.P.	7/8	135	129	♦Chelsea Man 5p	129	......	L2.2	2.8	2.4	21.2
‖‖	F.P.	18/7	110	85	Clarkson (Horace)	100	......	L4.75	1.5	6.7	13.7
¶¶	F.P.	—	100	58	Clayform Warrants	58	−2	—	—	—	—
§84	F.P.	1/8	91	84	♦Coated Electrodes 5p	88	......	u3.9	1.6	6.2	13.7
257	100	—	110	90	Dee Corp.	92	−1	5.8	1.9	3.6	17.8
§58	F.P.	4/7	82	59	Denistron Intl 5p	77	......	u1.65	2.1	3.0	19.7
§70	F.P.	22/8	74	71	♦Fletcher Den'ys S. 5p	73	−1	L2.5	1.9	4.8	15.5
210	F.P.	—	200	191	G. T. Management 1p	195	......	R3.0	3.4	2.2	16.4
150	F.P.	25/7	156	150	Guthrie Corp	156	+4	u5.3	2.2	4.8	10.0
150	F.P.	—	161	157	Harrison Inds. 10p	157	......	Sq5.0	2.7	4.5	11.8
§92	F.P.	28/8	95	87	♦Hille Ergonom 10p	95	+7	L2.0	3.1	3.0	13.1
§85	F.P.	24/7	117	90	♦Hodgson Hldgs 5p	112	+2	R2.13	2.3	2.7	20.4
§20	F.P.	—	25	21½	♦Hughes Food 5p	23	−1	Ro.5	2.8	3.1	16.6
—	F.P.	—	£36	£36	JF Pacific Warrant S.A.	£36	......	—	—	—	—
R30	Nil	—	325	180	Joel (H.J.) Ltd Units	100	......	—	—	—	—
§154	F.P.	13/8	199	158	Kleinwort Dev. Fnd	158	......	—	—	—	—
100	F.P.	15/8	90	85	♦M6 Cash & Carry	88	......	u3.55	2.1	5.7	9.8
§500	F.P.	29/8	516	440	Morgan Grenfell £1	440	......	L8.5	—	2.7	—
§120	F.P.	—	120	112	♦Per. Computers 5p	112	......	R3.0	3.3	3.8	11.4
§113	F.P.	29/8	124	113	St. David's Inv. Tst. Inc.	113	......	N68	—	8.5	—
§75	F.P.	29/8	77	75½	Do Cap.	75½	......	—	—	—	—
§72	F.P.	15/8	160	99	♦Shield Group 5p	130	−5	L2.0	3.1	2.2	19.0
§165	F.P.	1/8	184	162	♦Smallbone 10p	162	......	u5.0	2.1	4.3	15.1
—	F.P.	—	55	45	Smith Newcourt War'ts	50	......	—	—	—	—
§40	F.P.	31/7	42	35	♦Soundtracs 5p	40	......	61.2	2.8	4.2	11.9
§98	F.P.	6/8	106	98	♦Space Planning 10p	100	−2	R1.8	3.4	2.5	16.3
§110	F.P.	28/8	125	119	Stanley Leisure	124	......	u3.25	2.8	3.7	13.7
130	F.P.	—	142	135	♦TV-am 10p	140	+1	R5.75	2.6	5.8	9.4
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$340	20	11.50	—	—	—	—	$349.70
GOLD C	$350	—	—	10	12.50	—	—	"
GOLD C	$360	20	2.80	2	9	—	—	"
GOLD C	$380	5	0.90	—	—	—	—	"
GOLD P	$320	—	—	—	—	55	3.80	"
GOLD P	$340	—	—	10	5.60	—	—	"
GOLD P	$350	10	4	10	8.50	—	—	"
		Sept.		**Dec.**		**March**		
£/FL C	FL360	1	5.30	—	—	—	—	FL360.79
£/FL C	FL365	4	4	—	—	50	7	"
£/FL C	FL370	10	2.50	—	—	—	—	"
£/FL P	FL375	30	16.50	—	—	—	—	"
$/FL C	FL240	—	—	127	8.80	—	—	FL242.55
$/FL C	FL245	22	4	—	—	—	—	"
$/FL C	FL250	292	2.50	—	—	—	—	"
$/FL C	FL255	4	1.40	—	—	—	—	"
$/FL C	FL260	25	1	20	2.30A	—	—	"
$/FL C	FL270	—	—	30	1.20	—	—	"
$/FL C	FL280	—	—	10	0.50	—	—	"
$/FL C	FL295	50	0.10	—	—	—	—	"
$/FL P	FL230	35	2.50	2	3.80A	—	—	"
$/FL P	FL235	24	2.30	6	5.40A	—	—	"
$/FL P	FL240	113	4.20	6	7.40	—	—	"
$/FL P	FL245	65	7.10	—	—	—	—	"
$/FL P	FL250	10	10.10	5	13.20	—	—	"
$/FL P	FL260	1	18.20	—	—	—	—	"
		Oct.		**Jan.**		**Apr.**		
ABN C	FL620	96	11.50	2	22.50A	2	28	FL599
ABN P	FL580	39	9.50A	5	15A	5	17	"
AEGN C	FL100	45	5.40B	84	7.80	—	—	FL100.10
AEGN P	FL95	129	2	—	—	—	—	"
AH C	FL90	39	6	42	7.80	—	—	FL90
AH P	FL85	11	2.10	—	—	—	—	"
AKZO C	FL160	504	8	100	11.80	—	—	FL157.30
AKZO P	FL150	266	2.60	67	5	4	6.20A	"
AMEV C	FL75	174	3.80	6	6	—	—	FL75.20
AMEV P	FL80	41	6.50	—	—	—	—	"
AMRO C	FL110	193	4.40	1	7.40	—	—	FL106.10
AMRO P	FL100	8	2	120	3.80	—	—	"
GIST C	FL58	67	1.60	5	3	—	—	FL53.80
GIST P	FL52	315	1.10	—	—	—	—	"
HEIN C	FL170	12	7	—	—	3	13	FL166.50
HEIN P	FL160	19	3	2	6A	—	—	"
HEO P	FL157.50	5	2.50A	—	—	—	—	"
HOOG C	FL105	474	7.50	53	12	7	14	FL105
HOOG P	FL100	151	3	9	5A	2	6	"
KLM C	FL50	342	1.40	63	3	4	4.50	FL46
KLM P	FL45	139	2.40	64	3.40	20	4.30	"
NEDL C	FL180	54	2.20	—	—	—	—	FL199
NEDL P	FL160	46	5	8	7	12	8.30	"
NATN C	FL85	70	1.90	13	3.90A	—	—	FL79.40
NATN P	FL75	110	1.70	9	3	—	—	"
PHIL C	FL55	765	1.40	341	2.50	156	3.30	FL47.60
PHIL P	FL55	1114	7.50	925	7.80B	70	8.30	"
RD C	FL200	358	3	84	6.80	7	9.20	FL187.60
RD P	FL180	318	3.10	54	4.30	—	—	"
ROBE C	FL90	2	3.20	—	—	—	—	FL90.40
ROBE P	FL90	20	1.30	20	2.30	—	—	"
UNIL C	FL500	277	14.50	79	24	—	—	FL477
UNIL P	FL460	150	6.90	54	10.50	—	—	"

TOTAL VOLUME IN CONTRACTS: 25,122

A=Ask B=Bid C=Call P=Put

BANK RETURN

BANKING DEPARTMENT

	Wednesday July 23, 1986	Increase (+) or decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	86,050,679	+ 4,662,584
Bankers Deposits	872,034,118	+ 76,325,224
Reserve and other Accounts	1,365,269,080	− 52,669,058
	2,337,906,877	+ 28,318,750
ASSETS		
Government Securities	431,686,311	− 68,285,000
Advance and other Accounts	573,799,923	− 69,597,429
Premises Equipment & other Secs	1,322,611,170	+ 160,507,982
Notes	9,518,720	+ 5,694,355
Coin	290,753	− 1,158
	2,337,906,877	+ 28,318,750

ISSUE DEPARTMENT

	£	£
LIABILITIES		
Notes in Circulation	12,690,481,280	+ 94,305,645
Notes in Banking Department	9,518,720	+ 5,694,355
	12,700,000,000	+ 100,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	3,583,460,907	+ 539,967,286
Other Securities	9,105,523,993	− 439,967,286
	12,700,000,000	+ 100,000,000

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

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AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	63.3	68.2xd	—	1.8
Far East & Gn. Tst.	104.1	110.8	-0.1	0.9
Intl. Growth Tst.	68.1	72.5xd	—	0.7
Income Tst.	67.8	72.1	-0.4	5.6
Japan Growth Tst.	126.0	135.5	-1.2	0.2
Small Cos. Tst.	110.1	118.4	-1.3	2.0
Technlgy. Tst.	33.0	35.4	-0.1	0.5
Australia Trust	34.9	37.5	-0.5	2.1
UK Trust	126.7	134.8	-1.0	2.7
European Growth Tst	50.2	53.4xd	+0.3	1.2
Hong Kong Tst.	22.7	24.2	+0.3	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.0	16.0	-0.2	0.15
Pacific Basin	13.0	13.8	-0.1	0.2
Canadian Balncd Grwth.	56.3	60.2	+0.2	0.98
Gilt & Man.	101.0	105.2	-0.1	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	54.1	57.7	-0.4	1.50
British Growth (z)	64.1	68.0	-0.2	2.00
British Income (z)	64.4	66.1	-0.2	5.00
British Extra Yield(z)	50.3	51.5xd	-0.1	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.3	65.6	+0.1	0.00
U.S. Govmt Bond F.	50.505	0.508	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cmwlth & Equity Tst	47.6	50.7	-0.2	7.82
Growth Trust	50.2	51.5	-0.7	2.29
Income Trust	52.5	55.9	-0.2	5.24

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.6	72.1xd	—	2.95

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.6	128.4xd	-0.2	3.54

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy July 11		107.4	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	205.8	216.7	—	—
Equity Ser. 1	97.5	102.7	-1.2	—
Prop. Acc Ser 2	277.0	291.6	—	—
Equity Ser 2	106.0	111.6	-1.4	—
Selective Acc.	231.3	244.1	-1.5	—
Prop. Ser. 4	216.6	230.2	—	—
Equity Ser. 4	110.0	115.8	-1.2	—
Fixed Int. Ser. 4	190.2	199.2	+0.9	—
Indexed Inv. Ser. 4	114.0	120.1	-0.1	—
American Ser. 4	251.4	264.7	+0.1	—
High Inc. Ser. 4	280.9	295.7	-1.9	—
Japan Ser 4	246.9	259.9	-1.9	—
Man. Ser. 4	345.5	364.1	-0.9	—
Money Ser 4	194.3	204.6	—	—
European Ser 4	111.3	117.2	+0.5	—
Pension Funds				
Property	354.7	373.4	—	—
Equity	737.4	776.3	-10.4	—
Selective	244.4	257.3	-1.6	—
Managed	606.3	638.3	-2.1	—
Security	324.4	152.0	—	—
Fixed Int.	202.4	213.0	+1.0	—
European	173.5	182.7	+0.9	—
American	208.4	219.4	+0.2	—
Japan	258.4	272.1	-2.4	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303

Life Funds (Accumulator Units)				
Squirrel	10.57	11.13	—	—
Bear	11.17	11.76	+0.04	—
Owl	11.34	11.94	-0.08	—
Doll	13.07	13.76	-0.07	—
Stag	12.63	13.30	-0.07	—
Gilt-Edged		11.17	+0.07	—
Deposit		9.71	—	—
Pension Funds (Accumulator Units)				
Squirrel	11.24	11.84	—	—
Bear	12.00	12.64	+0.06	—
Owl	12.14	12.78	-0.10	—

Canon Assurance Ltd—Continued

Index	110.7	117.1	—	—
Far East	178.7	189.1	+2.2	—
Global	95.3	100.8	+0.3	—
European	97.6	103.3	—	—
Japan	110.5	116.9	+0.4	—
2nd Series Pension Accumulation				
Equity	477.5	505.3	+5.1	—
High Income	315.3	333.7	-2.4	—
Property	281.1	297.5	—	—
Managed	335.3	354.8	-0.8	—
Deposit	250.7	265.3	—	—
Gilt	253.4	268.1	+0.8	—
American	382.7	405.0	-0.4	—
International Money	270.8	286.6	+0.3	—
Index	121.0	128.0	—	—
Far East	194.2	205.5	+3.4	—
Global	95.5	101.1	+0.5	—
European	98.4	104.1	—	—
Japan	114.7	121.4	+0.7	—
Other Funds				
Equity Units		64.99	-0.68	—
Property Units		21.33	—	—
Equity Bond/Exec	40.62	42.98	-0.40	—
Property Bond/Exec	28.77	30.44	—	—
Balanced Bond/Exec	33.17	35.10	-0.06	—
L&E SIF 1	109.0	115.0	—	—
L&E SIF 2	71.0	75.5	—	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	100.0	106.0	-4.0	—
Risk & Reward Bond	117.0	124.0	—	—
Murray Johnstone Fd	116.0	123.0	—	—
Money Market Fd	100.0	106.0	—	—
Ivory & Sime Pens Fd	97.0	103.0	—	—
Risk & Reward Pens Fd	99.0	105.0	-1.0	—
Murray J'stone Pens Fd	114.0	120.0	—	—
Money Market Pens Fd	100.0	106.0	—	—

Skandia Life Assurance Co Ltd—Cont.
Skandia Nonjersey Funds

Special Situations	127.7	[illegible]	−1.0	—
Recovery	123.3	[illegible]	−0.4	—
Capital Growth	123.7	[illegible]	−0.6	—
Income and Assets	1377.9	[illegible]	−0.4	—
Income and Growth	152.7	[illegible]	−1.7	—
High Income	150.0	[illegible]	−0.5	—
Extra Income	137.8	[illegible]	−0.2	—
Smaller Co. Divide	142.3	[illegible]	−0.3	—
Preference and Gilt	108.9	[illegible]	+0.2	—
Gilt Trust	108.7	[illegible]		—
Gold Trust	78.0	[illegible]	−0.9	—
Fixed Interest	105.1	[illegible]		—
Financial	[illegible]	[illegible]	−0.1	—
Global Resources Tst.	[illegible]	[illegible]	−0.9	—
Global Healthcare	125.1	[illegible]	+0.2	—
Global Inc & Growth	129.9	[illegible]		—
Global Technology	99.7	[illegible]	−2.1	—

UK Provident
UK House, Castle St, Salisbury SP1 3SH 0722 336242

Managed	103.2	[illegible]	−0.2	—
Property	97.5	[illegible]	+0.1	—
UK Equity	101.2	[illegible]	−0.5	—
UK Fixed Interest	101.6	[illegible]	+0.3	—
Deposit	98.5	[illegible]		—
Index Linked	97.8	[illegible]	+0.2	—
North American	104.8	[illegible]	+0.4	—
Pacific Basin	151.6	[illegible]		—
Pens Managed	107.1	[illegible]	−0.2	—
Pens Property	100.9	[illegible]	+0.2	—
Pens UK Equity	104.3	[illegible]	−0.8	—
Pens UK Fixed Interest	105.1	[illegible]	+0.2	—
Pens Deposit	100.7	[illegible]	+0.1	—
Pens Index Linked	96.6	[illegible]	+0.2	—
Pens North American	107.9	[illegible]	+0.5	—
Pens Pacific Basin	148.9	[illegible]	−0.1	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

INSURANCE, OVERSEAS & MONEY FUNDS

Brown Shipley Fund Mgmt (CI) Ltd
PO Box 583, St Helier, Jersey 0534 74777

Sterling Bd(Int)(Daily)	£10.99	11.39	+0.04	9.31
Sterling Cap (Daily)	21.38	21.40	+0.01	—
Intl. Bond (Daily)	14.48	15.29	−0.12	5.82
Int Currency (Wed)	61.35	1.42	...	4.84

Butterfield Management Co Ltd
PO Box 195, Hamilton, Bermuda

Buttress Capital	$13.78		...	—
Buttress Equity Acc.	$4.91	7.29	...	—
Buttress Inc Acc	$4.60	4.79		—

CAL Investments (IoM) Ltd
16 St Georges Street, Douglas, IoM 0624 20231

CAL C & C*	37.6	39.6	...	—

*Dealings Monday. **Dealings daily

CAL Investments (Bermuda) Ltd
PO Box 1022, Hamilton, Bermuda (809-29) 55950

CAL Futures Fund	141.29	144.37	...	—

Capital International
43 Boulevard Royal, Luxembourg

Capital Int. Fund	$60.06	..	—

Cater Allen Investment Management (CI)
29a Broad St, St Helier, Jersey, CI 0534 78098

CA Dollar Inc Fd	$10.26	10.28	...	7.78
CA Gilt Edg Fd	13.66	13.72	+0.05	10.20

Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

Emperor Fund	$14.08	14.80	−0.34	0.53
Euro Global Inv Fd	$74.82	78.60	+1.2	0.57

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg, Bath St, Jersey 0534 79437

Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4 01-623 4680

F&C Atlantic July 23	$16.30	+0.02	—
F&C European July 22	$24.60	−0.08	—
F&C Oriental July 23	$47.47	−0.18	—

Weekly dealings

14 Mulcaster Street, St Helier, Jersey 0534 27471
Foreign & Colonial Reserve Asset Fund

A—Short Term US$	$10.36	...	6.42
B—Short Term MultiCcy	$13.00	...	4.98
K—Short Term £	£10.27	...	9.00
C—US$ Bonds	$12.05	...	7.69
D—MultiCcy Bonds	$15.63	...	6.47
E—Sterling Bonds	£11.45	...	9.06
F—D Mark Bonds	DM10.52	...	6.03
G—Yen Bonds	Y1,073	...	5.37
H—Ecu Bonds	Ecu11.00	...	6.11
L—Sterling Equities	£9.45	...	10.90
M—US Equities	$11.35	...	6.16

Formosa Fund
c/o Hoare Govett Asia Ltd, Heron Hse, 319-325 High Holborn WC1 01-404 0344
NAV NT$417.8. (Or value US$10.979).

Framlington Overseas Fund Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481-26541

Far East Fund	$0.747	0.786	...	—
Income & Growth	$0.688	0.724	...	3.06
Managed Portfolio	$0.612	0.644	...	0.4

Frankfurt Trust Investment—GmbH
Wiesenau 1, D-6000 Frankfurt

FT-Interzins	DM44.84	46.19	+0.05	—
Frankft. Effekt. Fd.	DM129.47	136.28	+2.20	—

Frobisher Fund Limited
PO Box HM1735, Hamilton, Bermuda 809 295 7447

NAV July 21	$5.13	5.44	...	—

GT Management (UK) Ltd
8th Floor, 8 Devonshire Sq, London EC2M 4YJ

Hill Samuel Investment Mgmt Intl SA
Jersey, PO Box 63
Berne, PO Box 2622

Holborn Fund Mngmt (Guernsey) Ltd
PO Box 61, Bermuda Hse, St Julian's Ave, St Peter Port, Guernsey

Holborn Fund Mngmt (Jersey) Ltd
28/34 Hill St, St Helier, Jersey

L.C. Trust Managers Ltd

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.11	+0.01	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.04	+0.04	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$18.75	+0.11	—
Dynamic Grth Fd	$20.04	+0.01	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.92	12.41	...	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50		...	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.48	7.09	10.33	6mth
7-day Fnd	9.48	7.09	10.33	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.43	7.05	10.10	6-Mth
7-day Fund	9.61	7.18	10.30	6-Mth
Dollar	5.25	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.80	9.25	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.93	9.99	Qtr
Mth. Int. Chq.	9.25	6.93	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.45	7.06	10.28	Mth

NOTES

TRADITIONAL OPTIONS

3-month call rates

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BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	100⅛	Exch. 14pc 1986	100 13/16	–1/16	[illegible]	9.79
[illegible]	94⅞	Exch. 2½pc 1986	98⅝	.....	[illegible]	6.86
[illegible]	100⅞	Exch. 13½pc 1987	101 1/16	.....	[illegible]	9.76
[illegible]	97 1/2	Treas 10¼pcCv '87	100¼	+1/16	[illegible]	9.72
[illegible]	92 13/16	Exch 2½pc 1987	97⅞	+1/16	[illegible]	6.78
[illegible]	97¼	Exch. 10½pc 1987	100 7/16	+1/16	[illegible]	9.74
[illegible]	93⅝	Funding 6½pc '85-87‡‡	98 3/16	.....	[illegible]	8.79
[illegible]	96 13/16	Treas. 10pc 1987	100 3/16	.....	[illegible]	9.72
[illegible]	90⅞	Treas 3pc 1987	96 5/16	+1/16	[illegible]	7.03
[illegible]	99⅜	Treas. 12pc 1987	102 7/16	.....	[illegible]	9.81
[illegible]	92 13/16	Treas 7¾pc 1985-88‡‡	98¼	+⅛	[illegible]	9.14
104	96⅝	Exch 10½pc '88	101¼	.....	[illegible]	9.77
102⅝	95¼	Treas 9¾pc Cv '88	100	.....	[illegible]	9.73
94⅞	86⅝	Transport 3pc '78-88	93⅜	+1/16	[illegible]	6.87
102⅝	93 13/16	Treas. 9½pc '88	99 3/16	.....	[illegible]	9.69
107 [illegible]	98 3/16	Treas 11½pc 1989	104 1/16	–1/16	[illegible]	9.67
103⅜	93¼	Treas 9½pc Cnv. '89	99 11/16	–1/16	[illegible]	9.60
92⅝	82 1/16	Treas 3pc 1989	89⅞	.....	[illegible]	7.04
105 7/16	95 1/16	Treas 10½pc 1989	102	–1/16	[illegible]	9.67
104 [illegible]	94⅞	Exch.10pc 1989	100¼	–1/16	[illegible]	9.72
107 [illegible]	97	Exch 11pc 1989	103 [illegible]	.....	[illegible]	9.63
93 [illegible]	84½	Treas 5pc 1986-89	91 [illegible]	+1/16	[illegible]	8.02
[illegible]	94⅝	Exch 10¼pcCv '89	105 [illegible]	.....	[illegible]	8.26
[illegible]	103 [illegible]	Treas 13pc 1990‡‡	110 [illegible]	.....	[illegible]	9.45
[illegible]	97¼	Exch 11pc 1990‡‡	104 [illegible]	.....	[illegible]	9.54
[illegible]	101 [illegible]	Exch. 12½pc 1990	108¾	.....	[illegible]	9.57
[illegible]	79⅝	Treas. 3pc 1990	86½	.....	[illegible]	7.13
[illegible]	89⅝	Treas 8¼pc 1987-90‡‡	97⅝	+⅛	[illegible]	8.97

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

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Financial Times Saturday July 26 1986

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	257	-3	8.5	1.7	4.7	16.1
23½	15½	♦Morris (W) F.A. 30p	16½	.....	—	—	—	—
139	96	Moss (Robt.) 10p	130	.....	♦3.3	2.7	3.6	14.0
141	65	Myson Grp 10p	121	-6	2.63	2.6	3.1	15.6
365	259	♦NMW Computers	300	-5	6.0	3.0	2.8	17.3
40	27	Nash Inds.	39	.....	†0.5	—	1.8	—
*27½	15½	Neil & Spencer 10p	21	-1	♦—	—	—	—
39	28	Newman Inds 10p	36	.....	0.8	1.1	3.2	(34.6)
132	65	Noble & Lund 10p	130	-2	0.7	4.3	0.8	42.8
65	44	Nolton	46	.....	†0.95	7.0	2.9	6.6
138	96	♦Norank Systems 5p	132	-2	u3.0	♦	3.2	♦
286	187	Norcros	238xd	-6	9.3	2.2	5.5	11.4
173	49	Nu-Swift 5p	157	.....	3.5	2.1	3.1	21.1
£303	£228	OCE 9pc Cnv 1987-92	£292	.....	09%	—	(3.1	—
118	80	Oakwood Grp	102	.....	‡5.0	1.3	‡	14.2
250	203	Office & Elect	223	.....	8.5	2.9	5.4	9.1
183	70	Oldacre 20p	180	.....	♦5.0	♦	4.0	♦
36	24	♦Optometrics $0.01	30	.....	—	—	—	—
810	500	Oriflame £1	795	+5	24.5	2.1	4.5	15.4
10	6	Overstone 12½c	6	.....	g03.23c	1.9	(4.1)	17
For Ozalid 9pc Cnv see OCE 9pc Cnv								
142	85	♦PCT Grp 10p	110	.....	3.2	1.2	6.0	(27.1)
£20½	950	PLM "B" Sk 25	£17½	.....	Q23.2%	0.3	3.8	—
184	114	PSM Intl.	166	.....	d5.5	2.1	4.7	12.6
255	167	♦Pacer Systems $0.01	200	.....	L03.84c	3.4	1.3	22.3
78	56	♦Pacific Sales 10p	62	.....	3.0	2.1	6.8	8.1
342	225	Park Place 10p	330	.....	♦†6.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	405	.....	†9.5	2.9	3.3	14.7
555	208	♦Parkfield Group 5p	530	-10	†2.4	2.4	0.6	88.6
53	30	♦Pavion Intl.	32	-1	—	—	—	8.5
£130	£92	Do 11pc CvLn '94-02	£102	-2	Q11%	—	(11.3	—
608	393	Pearson	503	-7	10.0	2.8	2.0	16.8
26	12	Peek Holdings 7p	18	.....	—	—	—	—
130	88	Peerless	115	.....	6.3	—	7.7	—
*519	141½	Pentland 10p	415xd	-10	h0.75	22.4	0.3	23.5
£14	775	Photo-Me	£12	.....	†5.08	8.3	0.6	·
475	315	Pilkington Br. £1	400	-8	13.5	2.7	4.8	(8.7)
£388	£293	Pitney-Bowes Cnv. Ln.	£380	.....	Q5½%	—	1.4	—
96	52	Plastic Const. 10p	76	-2	2.8	2.0	5.2	13.3
9½	7	Platignum 5p	9	.....	8—	—	—	14.2
175	115	♦Platon Int.	160xd	-5	3.08	♦	2.7	♦
17	9½	Polymark 10p	14	.....	8—	—	—	—
95	49	Do. CmPfA £1	85	.....	10%	—	16.6	—
365	195	Portals	290	.....	h7.33	3.2	3.6	12.5
314	238	Powell Duffryn 50p	268xd	-8	15.2	0.9	8.0	19.3
157	100	Prestwich	104	.....	♦hd0.53	7.8	0.7	20.4
131	59	Pritchard Svs.	117	-1	♦2.55	♦	3.1	♦
£13½	775	Quotron Systems $0.10	£12½	.....	♦—	—	—	—
216	97	RFD Group 10p	201	.....	♦5.12	♦	3.6	♦
158	124	Radiant Metal	145	-5	2.5	♦	2.5	♦
40	14	♦Ramco Oil 10p	14	.....	0.7	♦	7.0	♦
589	420	Rank Org.	483	-2	†15.0	1.0	4.4	13.2
300	220	Rauma-Repola Oy	290	.....	Q10%	♦	11.5	♦
900	607	Reckitt & Colman	804	-1	16.0	2.4	2.8	17.2
243	118	Redfearn Glass	213	.....	†2.0	6.2	1.3	12.7
343	198	Reed Exec 10p	337	.....	4.5	♦	1.9	♦
£10½	653	Reed Intl. £1	960	-20	22.5	3.2	3.3	12.1
170	134	Relyon	168	.....	4.65	2.5	3.7	13.6
295	260	Renwick Group	270	-5	—	—	—	18.0
102	88	Restmor	90	.....	4.0	2.0	6.3	11.2
518	345	Reuters 'B' 10p	500	+12	3.25	4.2	0.9	36.8
39	21	Rexmore	35	.....	‡1.0	2.1	‡	13.3
160	109	Ricardo	149	-2	†2.75	3.9	2.6	12.9
150	92	Robertson Rsch 20p	92	-1	2.5	♦	3.9	♦
35	15½	Rock 10p	23	-½	n—	—	—	29.9
55	31	Rockware	45	.....	—	—	—	18.1
77	60	♦Rolfe & Nolan 10p	75	.....	2.0	2.9	3.8	12.8
152	128	Ropner	133	.....	6.5	2.0	6.9	10.2
146	120	Do. 'A'	122	.....	6.5	1.0	7.5	9.4
*3½	1¼	Rotaprint 5p	2½	-¼	—	—	—	—
130	93	Russell (A.) 10p	93xd	.....	1.6	♦	2.4	♦
38	29	Ryan Int'l 5p	34	-½	—	—	—	♦
139	115	♦SAC Intl 10p	115	-1	b1.5	3.8	1.0	19.9
38	17½	SI Group 5p	32	.....	—	—	—	—
*275	211	Safe Tilley	235	.....	6.5	2.6	3.9	13.7
98	53	Sandhurst Mkt. 10p	67	-3	1.24	1.5	2.6	35.9
130	103	♦Savage	120	-7	R3.0	2.3	3.5	15.9
525	373	Scapa Group	478	-5	12.1	2.7	3.6	11.5
£25¾	£19½	Schlumberger $0.01	£19¾	.....	$1.20	—	4.1	—
170	90	Scott Robertson	155	.....	2.7	3.6	2.5	15.7
141	102	Scott Greenham 10p	127	.....	3.3	2.6	3.7	14.5
190	122	Scot. Heritable Tst.	171	.....	3.0	3.8	2.5	14.8
165	125	Securicor Group	125	.....	0.97	4.6	1.1	27.9
155	110	Do. 'A' N-V	118	.....	0.97	4.6	1.2	24.5
107	70	♦Securiguard Grp 5p	100	.....	2.7	2.0	3.8	18.5
162	100	Security Services	107	.....	1.87	2.7	2.5	21.1
76	38	Sharna Ware 20p	48	-2	d2.45	—	7.2	—
78	70	♦Sheldon Jones	73	-2	4.65	1.9	9.0	8.3
136	72	Shiloh	120	-2	2.75	6.8	3.2	6.2
150	105	Sidlaw Group	129	.....	9.0	1.3	10.1	9.2
990	703	Siebe	945	.....	13.48	3.7	2.0	16.8
53	32	Silentnight 10p	44	.....	1.0	0.4	3.2	—
220	135	♦Sinclair (Wm.)	195	-2	5.25	3.1	3.8	12.1
500	388	Skeechley	466	.....	17.5	♦	3.3	♦
132	95	Smith&Nephk 10p	122	-2	b2.33	2.1	2.7	20.6
325	227	Smiths Inds. 25p	258	-4	†4.5	2.6	2.3	20.1
52	32	Sonic	50	.....	2.0	1.7	5.6	14.2
90	45	Sonartec	68	.....	—	—	—	—
£18¾	£12½	Soneson (W) AB Sek25	£16½	.....	♦Q15%	♦	2.1	♦
160	113	♦Sthn Bus Grp 10p	160xd	.....	†d2.7	3.4	2.4	14.1
225	163	Spear (J.W.)	200	.....	6.0	1.0	4.2	17.0
74	65	♦Splash Products 10p	65	.....	u3.27	1.6	7.1	12.6
26½	14	Spong Hldgs 5p	20	.....	20.4	11.0	2.8	15.9
257	160	Spring Ram 10p	238	-10	b0.91	7.3	0.3	14.6
155	71	Staffs. Potts	158	.....	♦‡5.0	2.7	4.6	21.0
385	169	Do. 10pcCnvRdPf £1	385	.....	10%	5.1	3.7	—
118	85	Stag Furniture	108	.....	5.5	1.6	7.2	(10.3)
220	85	♦Stainless Metalcraft	163	-9	4.2	1.7	3.6	23.4
70	22	♦Stanelco 10p	70♯	.....	♦—	—	—	—
82	42	Star Comp. 10p	78	-2	—	—	—	—
320	190	Stat-Plus 5p	298	.....	3.0	4.1	1.4	24.3

FINANCIAL TIMES
Saturday July 26 1986

Japan accused over chip dumping

BY LOUISE KEHOE IN SAN FRANCISCO AND CARLA RAPOPORT IN TOKYO

US SEMICONDUCTOR manufacturers have accused their Japanese competitors of trying to undermine negotiations on a broad semiconductor trade agreement between the US and Japanese Governments by escalating their delayed cut-price dumping of memory chips in the US.

The stinging attack by leading US chipmakers came yesterday on the eve of what is scheduled to be the final day of the year-long trade talks.

They claim that the five largest Japanese chip producers have cut their US prices on Eproms (Electrically Programmable Read Only Memory Chips), a commodity type of memory chip at the centre of the trade dispute, by an average of 22 per cent this month.

Separately, other US industry officials claim the Japanese have undertaken an unprecedented and aggressive sales effort in the US recently aimed at bypassing the expected effects of a trade agreement that would open the Japanese market to US microchips.

Even as the two sides worked toward settlement of their trade frictions, Japanese makers of Eproms had sharply dropped their US prices, Intel Corporation, the largest US producer of Eproms, claimed.

Japanese industry executives yesterday said the new allegations from the US were primarily an attempt to disrupt the semiconductor talks.

"These claims are ludicrous. They don't even name the companies they are complaining about. This kind of thing will not help us reach a settlement in Washington," said one senior industry executive.

Officials at the Ministry for International Trade and Industry (MITI) said the talks in Washington were not going smoothly.

Sticking points apparently include the issue of monitoring prices of chips which Japan sells in countries other than the US and the issue of ensuring the terms of the agreement are being fulfilled.

The US has set today as a deadline for conclusion of negotiations, but it looks possible the talks will continue until July 31. The statutory deadline for President Ronald Reagan to act on an anti-dumping suit against Japanese chipmakers was temporarily suspended to clear the way for the broader trade agreement being sought in the current talks.

Japanese-made Eproms are being offered in the US at about one-third of their fair value, US chip makers say.

Intel said it had provided the US Government with evidence that Japanese producers dropped their prices for 256k Eproms from an average $4.25 to around $3.30 this month after the US Government suspended the anti-dumping suit.

"Potential suspension of the dumping case was an act of good faith, an act answered by increased Japanese dumping," Mr Thomas Dunlap, Intel's general counsel, said.

"We can only conclude that Japanese Eprom producers are intent on continuing their predatory ways under the protective cover of Government negotiations. Given these developments, it is difficult to have much faith that we can reach a lasting settlement of trade issues."

Industry analysts are alarmed that Japanese chip makers are deliberately trying to bypass the expected trade accord by promising "pre-agreement" prices to US customers which place orders before August 1 for delivery over the next 18 months.

Reliance offer may make up to $80m for Steinberg

By Terry Dodsworth in New York

MR SAUL STEINBERG, the financial wizard who at the age of 46 already has 25 years of stock market wheeling and dealing behind him, looks set to pull off another coup.

Only four years after buying out the public shareholders in his master company, the Reliance insurance group, he is planning to offer a third of the business to investors again in a deal that would make him $70m to $80m (£47m to £54m).

The proposed transaction is a model of how to take advantage of the buy-out strategy.

In 1982, when Mr Steinberg took Reliance private, the insurance sector was plumbing the bottom of the cycle, the shares were out of favour with investors and he eventually captured the company at a price which valued it at only about $650m.

Today, with insurers popular again on Wall Street, Mr Steinberg is putting a value of between $1.25bn and $1.52bn on Reliance.

The possible pricing of the stock, at between $16 and $19 a share, demonstrates the way in which the insurance industry in the US has recaptured investors' enthusiasm.

On the basis of last year's earnings, when the company made 21 cents a share, the asking price for the offering would look very steep indeed. In the first six months of this year, after stripping out non-recurring gains, Reliance has not made much money either.

Yet, as recent offerings from some of the leading companies in the sector have shown, investors at the moment are hungry for insurance stocks.

The public, however, will not only be investing in insurance. They will also be putting their money behind the financial skills of Mr Steinberg himself.

As several recent Wall Street offerings have indicated, American investors are more than willing at present to take a flutter on the abilities of entrepreneurs such as Mr Ted Turner, the Atlanta broadcaster, or Mr Rupert Murdoch, the international publisher.

Mr Steinberg has been in the limelight again over the past few weeks with a $357m offer for John Blair, a New York communications group. But the deal which revived memories of his early stock market manoeuvrings was his raid on Walt Disney in 1984.

To "protect his investment" he mounted a hostile bid on the entertainment group, walking away a few months later with a profit of about $60m after being bought out by the Disney board in one of the most celebrated examples of "greenmail"—the practice of buying out troublesome shareholders at a premium to the market price.

Inevitably, Mr Steinberg does not like to be known simply as a raider. In spite of the way in which he has captured the public imagination in aggressive tussles with companies like Pergamon in the UK, back in the 1970s, or his astonishing proposal at the age of 29 to take over Chemical Bank, he stresses his record in building up Reliance.

The company is currently reckoned to be the 25th largest US insurance group, employing 10,500.

THE LEX COLUMN

Britoil yields to no man

Why anyone should have thought that such a conservatively-run company as Britoil would maintain its interim dividend while leaking cash at well over £1m a day is a mystery. But the 26p fall in Britoil's share price to 110p suggests a large number of disappointed punters. If Britoil had not halved this dividend it would in any case have meant even more savage treatment of the final.

Britoil's average first half realisation price was about £12 a barrel, about half the current rate. At £6 a barrel the company is probably at around break even on present policies. The problem is that at those prices the fields' lives are shortened, leading to a sharply higher depreciation charge and pre-tax losses. It is only in such bleak circumstances that the company will be able to start clawing back some of the £350m of deferred tax provisions that some have highlighted.

More to the point are £200m or so of capitalised exploration costs in the balance sheet. The company will wait to the end of the year before deciding how much of that to write off. At least Britoil has capitalised only expenditure deemed to have resulted in success. The situation of those many other UK explorers who capitalise the lot hardly bears thinking about, particularly for their bankers.

Britoil's shares now value its proven and probable oil and gas reserves at just 73p per barrel of oil or oil equivalent. A similar kind of assessment of asset rather than yield evaluation has sucked in US investment to the extent of almost 25 per cent of the share capital in the past few months. But the Americans did not seem to see the new low as a buying opportunity yesterday. The trouble is that there is now no way of valuing the share at all. The passing of the final dividend altogether is a distinct possibility. As for break-up value, that depends entirely on whether the Government ever instructs Britoil to pay £1 and redeem the Golden share. The nearly 250,000 small shareholders who plunged in at 215p and 185p have learned more about equity investment and risk capital than they ever will with Personal Equity Plans.

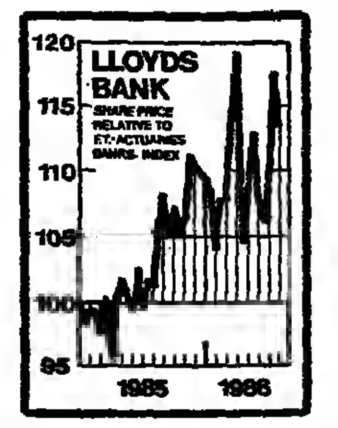
Markets

The equity market this week got the Duke of York treatment, marching up to the top of the hill on Wednesday, only to march all the way down again (and more) thereafter. Not that anyone could really say what was actuating the market in either direction, except for that conveniently unanalysable catch-all, political uncertainty. The truth may well be no more than the usual summer holiday malaise. For the first time this year, the market went a whole week without a day in which equity turnover broke the £500m mark. Seen in that light the share price moves were out of all proportion to volume, and suggest little more than jobber's markdowns to create at least some institutional buying interest.

ICI's figures showed yet again that the market's earnings projections have been by no means overheated. But the postponement of the cheap-oil led economic boom has begun to crack the confidence of some of the more nervous forecasters of UK plc's 1986 profits. It will take a follow up of the US discount rate cut to take the market out of its present gloomy mood. Domestically, the gilt-edged market was faintly encouraging last week, holding solid while oil slid below $9. There was even talk of the Japanese switching from T-Bills into gilts. About time too.

Lloyds Bank

Index fell 0.5 to 1263.7



Making a forecast three days before the end of the half year did not leave Lloyds Bank much room for error, though it managed to be four cents out on its dollar/sterling exchange rate guess. So figures showing pre-tax profits up from £264m to £335m gave little support to the shares, which slipped 4p to 398p yesterday. After all the fuss over the Standard Chartered bid, Lloyds' rerating against the sector may be over unless it can demonstrate that the bank is now heading somewhere worth going, and at a fair pace.

If Lloyds is not to bid again, and it seems unlikely, there are precious few other targets the size of Standard. So growth must come organically and through the odd smaller acquisition, perhaps some bits of Standard its new shareholders do not want.

Lloyds' interim statement was in any event stuffed with strategies, objectives and ratios marshalled to show what an excellent bank Lloyds is. The thing it did best in the first half was paying less tax: the bill fell by £2m to £121m. The merger of the bank and Lloyds Bank International saved around £18m, plus £5m in costs, and the introduction of specific provisions on sovereign debt allowed them to be set against tax.

Lloyds' overseas operations, which Standard was supposed to boost, remain a pretty mixed bag. Where Lloyds has managed to win a top market position there are good profits to be made. But in large chunks of the Middle and Far East, for example, Lloyds is still in loss. At home, the gradual erosion of the net interest margin, as depositors switch from current to interest bearing accounts and look for higher rates at that, has reached as far as 5.2 per cent. In 1981 it was 7.4 per cent. To compensate, Lloyds is making more from its estate agency, insurance broking and even the registrar business which gains from the high level of stockmarket activity.

Lloyds makes much of the £450m released by various disposals, culminating with the Californian sale whose delayed completion may have scuppered the Standard bid. This nest-egg had been yielding an average 6.5 per cent pre-tax. If Lloyds can reinvest it at the 17.3 per cent post-tax return achieved in the first half, the rerating would continue. With the lowest multiple of the four majors, prospectively 5 or less on a forecast of £690m for the year, and the highest yield aside from Midland, Lloyds still has some convincing to do.

Jefferson Smurfit buys rival for $1.16bn

By William Hall in New York

JEFFERSON SMURFIT Corporation, the fast-growing US arm of the Irish packaging group, is taking over Container Corporation of America, one of the biggest US packaging companies, in a $1.16bn (£779m) deal which will more than double its presence in the world's biggest packaging market.

JSC/MS Holdings, a newly-formed company owned equally by Jefferson Smurfit and the Morgan Stanley Leveraged Equity Fund, which is controlled by one of New York's oldest investment banks, announced yesterday that it had signed a definite agreement with Mobil, the second biggest US oil company. They have agreed to acquire CCA, which last year had sales of $1.7bn and employed 18,400 staff.

JSC/MS Holdings will pay Mobil $700m in cash and assume approximately $457m in CCA debt and other liabilities.

The acquisition will be financed mainly through $600m in bank borrowings and the sale of approximately $400m in subordinated debt.

Jefferson Smurfit and Morgan Stanley say that they have firm commitments from a bank syndicate led by Bankers Trust to provide up to $700m in financing for the acquisition and ongoing operations.

Jefferson Smurfit entered the US market in 1974 and has grown rapidly through acquisition. It now operates more than 90 mills and facilities in the US. In the first six months of 1986 it earned $10.6m on sales of $501.2m.

However, the latest move overshadows its earlier acquisitions and transforms the company, which is 78 per cent controlled by its Irish parent, into one of the biggest packaging groups in the US.

Mobil acquired CCA in the mid-1970s when it was trying to diversify into non-oil-related businesses.

The Morgan Stanley Leveraged Equity Fund is a limited partnership organised in 1985 by Morgan Stanley and CIGNA Corporation as a vehicle to allow investors to participate in certain equity investments, including leveraged buy-outs.

Visible trade balance in deficit as imports and exports fall

BY GEORGE GRAHAM

THE UK's visible trade balance remained in deficit last month as both exports and imports fell, the Department of Trade and Industry said yesterday.

A surplus of £288m on oil trade helped to counter the deficit of £911m on non-oil trade, leaving a visible deficit of £623m. The May deficit was £666m.

The department is forecasting a surplus of £700m a month on invisible trade such as services and this helped to maintain a small surplus of £77m on the current account of the balance of payments, compared with an estimated £34m in May.

The Treasury conceded that its Budget forecast of a current account surplus of £3.5bn for the whole of 1986 may not be achieved but it pointed to a recovery in export volumes and the favourable invisible trade balance.

Some economists, however, believe the projection of an invisible trade surplus of £700m a month, used in the preliminary balance of payments statistics, may be too high.

Mr Stephen Lewis, chief economist at stockbroker Phillips and Drew, said: "We feel that this is far too optimistic and a level below £500m is expected to be announced once the final figures for the second quarter are confirmed."

The collapse of oil prices has severely impaired the UK's visible trade performance so far this year. In 1985, when UK oil exports fetched an average of £22 a barrel, the surplus on oil trade was £8.16bn. In the second quarter of this year, when the average price fell to £8.88 a barrel, the oil trade surplus dropped to £765m.

The subsequent further fall of oil prices below $10 a barrel is expected to show up in the form of an even lower oil trade surplus in coming months.

The Treasury's forecast of an oil surplus of £5bn in 1986 was based on the assumption of an average oil price of $15 a barrel. The surplus in the first six months of the year was £2.76bn.

If oil and erratic items such as ships and precious stones are excluded the value of exports in the three months to June rose by 3 per cent over the previous quarter to £14.45bn while import value fell by ½ per cent to £17.43bn. Exports were still ½ per cent lower than in the corresponding period of 1985.

The volume of exports in this category rose during the April to June period by 3½ per cent from the previous three months to stand fractionally lower than in the corresponding period a year before. Import volume rose by only ½ per cent during the quarter.

The total manufactured trade deficit fell from £1.4bn in January to March to £573m in the second quarter: 12 per cent lower than a year earlier. The Treasury forecasts a deficit of £3bn on manufactures for the whole of 1986.

CURRENT ACCOUNT
(£m seasonally adjusted)

	Current balance	Visible Trade Exports fob	Visible Trade Imports fob	Invisibles balance
1984	+1,563	70,367	74,758	+5,953
1985	+3,763	78,072	80,140	+5,953
1985 Q2	+1,587	20,237	20,361	+1,711
1986 Q1	+ 528	18,204	19,604	+1,928
Q2	+ 546*	17,735	19,289	+2,100*
1986 April	+ 435*	6,038	6,303	+ 700*
May	+ 34*	5,871	6,537	+ 700*
June	+ 77*	5,826	6,449	+ 700*
January to June 1986	+1,074*	35,938	38,893	+4,028*

*Invisibles for April to June 1986 are projections.

Resignations at Revenue soar

BY CLIVE WOLMAN

THE NUMBER of resignations from the Inland Revenue has soared over the past two years, disrupting tax and collection offices, according to the Revenue's annual report published yesterday.

The report confirms the criticisms of the House of Commons Public Accounts Committee published on Thursday which relate to the loss of staff and last year's mounting arrears.

The Revenue's growing concern about its public image and service to taxpayers is reflected by the publication of a "taxpayer's charter" in the report. The charter, 250,000 copies of which will be distributed to local offices for the public to read, outlines the rights of taxpayers when dealing with the Revenue and Customs and Excise.

The charter tells taxpayers how they can appeal against a tax bill they think is wrong. It assures them that staff will treat them fairly and will strive to minimise their compliance costs.

The proportion of fully-trained tax inspectors resigning has increased four-fold since 1982-83. In the last year, 5 per cent of inspectors resigned. Each inspector cost about £40,000 to train. In the same period, resignation rates for clerical and executive staff rose by 46 per cent overall.

Low staff morale, deteriorating relationships with the public, low pay and increasing demand and salaries for tax experts in the financial services sector are the main factors behind increasing resignations, which has had the following consequences:

● Technical advice Revenue staff give to tax practitioners has been curtailed.

● In many local offices, more than 60 per cent of the staff are trainees.

● Black economy investigation units are under-staffed.

● Lack of trained inspectors has harmed work quality.

Inland Revenue report for 1985. HMSO. £9.80

CHIEF PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES		
Bristol Oil	144	+ 3
Burmatex	198	+ 8
Conroy Pet	148	+ 10
ICI	994	+ 12
NMC Invs	128	+ 11
Parkdale	84	+ 14
R.H.M.	209	+ 6
Renold	76	+ 9
Reuters B	500	+ 12
Ruddle (G.)	285	+ 98
FALLS		
AGB Research	170	− 26
Blue Circle	572	− 21
Britoil	110	− 26
Carless Capel	50	− 8
Enterprise Oil	99	− 6
Hawley	101	− 8
Laing (John)	448	− 10
Preedy (Alfred)	104	− 8
Saga Holidays	140	− 10
Sangers Photo	78	− 8
Taylor Woodrow	301	− 17
Trafalgar House	252	− 11
Tricentrol	45	− 5

WORLDWIDE WEATHER

UK today: Outbreaks of rain, temperatures below normal and windy in parts. Outlook: Cloudy.

		Y'day midday °C	°F
Ajaccio	S	27	81
Algiers	S	31	88
Amsdm.	C	16	61
Athens	S	32	90
Bahrain		—	—
Barclna.	C	24	75
Beirut	F	30	86
Belfast	C	15	59
Belgrd.	C	21	70
Berlin	F	19	66
Biarritz	S	21	70
Bmghm.	C	18	64
Blackpl.	C	15	59
Bombay	F	29	84
Bordx.	S	24	75
Boulgn.	C	15	59
Bristol	C	19	66
Brussels	C	16	61
Budpst.	C	19	66
Cairo	S	33	91
Cardiff	C	19	66
Cape T.	F	17	63
Chicg†	C	27	81
Cologne	R	16	61
Cpnhgn.	F	19	66
Corfu	S	31	88
Dallas	S	35	97
Dublin	C	16	61
Dbrvnk.	S	28	82
Ednbgh.	F	17	63
Faro	S	22	72
Florence	S	29	84
Frankft.	C	20	68
Geneva	S	23	73
Gibrltr.	S	24	75
Gl'sg'w	C	17	63
G'rnsey	Fg	15	59
Helsinki	S	24	75
H. Kong	F	31	88
Innsbrk.	S	21	70
Invrnss.	C	14	57
I.o.Man		—	—
Istanbul	S	28	82
Jersey	R	16	61
Jo'burg	S	15	59
L. Plms.	S	23	73
Lisbon	F	22	72
Locarno	S	24	75
London	C	20	68
L. Ang†	F	21	70
Luxmbg.	C	18	64
Madeira	F	21	70
Madrid	F	25	77
Majorca	C	28	82
Malaga	T	23	73
Malta	S	36	97
M'chstr	C	14	57
Melbne	R	7	45
Mx. C.†		—	—
Miami†	F	29	84
Milan	S	25	77
Montrl†	S	31	88
Moscow	F	25	77
Munich	F	19	66
Nairobi	F	23	73
Naples	S	32	90
Nassau	F	28	82
Nwcstl.	F	16	61
N. Delhi	C	31	88
N. York	S	29	84
Nice	S	26	79
Nicosia		—	—
Oporto	F	19	66
Oslo	F	23	77
Paris	C	17	63
Peking	R	23	73
Perth	F	16	61
Prague	F	19	66
Rykjvk.	S	12	54
Rhodes	S	32	90
Rio J'o†	S	23	73
Rome	S	26	79
Salzbrg.	F	20	68
S'cisco†	F	18	64
Singapr.	F	30	86
S'tiago†	S	20	68
Stckhm.	C	18	64
Strsbg.	F	22	72
Sydney	F	12	54
Tangier	F	23	73
Tel Aviv	S	30	86
Tenerife	S	25	77
Tokyo	F	26	79
Toronto†	F	29	84
Tunis	S	32	90
Valencia	S	25	77
Venice	S	22	72
Vienna	F	20	68
Warsaw	R	12	54
Zurich	S	22	72

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

Commonwealth

Geoffrey saw last Wednesday, nor Dr Kaunda, who gave him an angry reception in Lusaka on Thursday night, left him with hope that a dialogue between the Pretoria Government and black opposition leaders could be started in the near future.

While Sir Geoffrey professes to see a chink of light at the end of the tunnel and firmly believes that common sense will prevail, Dr Kaunda has dampened his expectations.

"I see no succour at all from what Sir Geoffrey told me," Dr Kaunda said in a television interview yesterday. "Now by his standards, by the standards of the Ronald Reagans and Mrs Thatchers of this world, maybe he can obtain something; but nothing at all to bring hope to my troubled mind, nothing at all."

Dr Kaunda said Sir Geoffrey had not given him any indication that Mr Botha was prepared to release Mr Nelson Mandela, the nationalist leader who has been in prison for 24 years.

The release of Mr Mandela, together with the lifting of the ban on the African National Congress and other South African opposition groups and the ending of apartheid are among the main conditions considered necessary by the 12 EEC states and the Commonwealth countries for starting a dialogue in South Africa.

Sir Geoffrey is now saying he does not visualise his mission coming to an end after the current leg finishes next Tuesday and that he may have to make several visits to southern Africa before a breakthrough is made.

After leaving Lusaka yesterday for Gaborone, where he met President Quett Masire of Botswana, Sir Geoffrey went out of his way to play down the significance of the stiff diplomatic rebuff he had suffered at the hands of Dr Kaunda.

The Foreign Secretary rejected any suggestion that he should have reacted more sharply and walked out of his meeting with Dr Kaunda after the Zambian President had told him he was not welcome as the messenger of Mrs Thatcher's and Mr Reagan's governments.

"I think that is absolutely the wrong kind of diplomacy," Sir Geoffrey said at a press conference. "Diplomacy is not a series of walkouts; it is a series of talk-throughs. I see no point in conducting a mission of this kind on the basis of escalating public rhetoric."

Sir Geoffrey even went out of his way to find an excuse for Dr Kaunda's behaviour, stressing that the Zambian President, with his long experience of African affairs, was understandably emotional

Continued from Page 1

Reagan

The Soviet Union could not afford to engage in a long and costly arms race, and Mr Gorbachev was aware of this, the President told a public gathering at the White House.

"He knows there must be some changes if he is to resolve some of the (Soviet Union's) problems.

"Our great hope with regard to arms reductions (is that) he believes that, for the sake of their economy, it might be in their own interest for them to join in reducing these great stores of arms and ending an arms race which is so costly to them and has been the principal cause of their economic problems."

Mr Besmertnykh will be the most senior Soviet official whom Mr Shultz has met since he had talks with Mr Nikolai Ryzhkov, the Soviet Prime Minister, in Stockholm last March.

A US official said Mr Shultz and Mr Eduard Shevardnadze, the Soviet Foreign Minister, were expected to meet in September, when they would attend the UN general assembly in New York.

The official speculated that, although Moscow was ready for high-level discussions with the US before then, it did not want to despatch Mr Shevardnadze before the President's letter had been received and studied.

WEEKEND FT

Saturday July 26 1986

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

The revolution that shamed China

Robert Thomson listens to the messages underlying the guilty silence about the excesses of cultural upheaval under Mao Tse-Tung

THERE WAS an edge of embarrassment and unease to his voice as the Chinese Government official admitted that in his youth he had been part of a marauding band of "Red Guards": he confessed that he had harassed so-called "bad elements"; he explained that "it doesn't take long to smash a temple."

Persuading the Chinese to talk about the Gultural Revolution—the "years of chaos" that began 20 years ago this month and officially finished a decade later — and about their role as persecutor or persecuted is to tap a reservoir of national shame and personal tragedy. Most Chinese have decided that it would all be best left unsaid. While the Government has implored the masses to learn from the mistakes, it has stifled any debate that might draw the uncomfortable issues to the surface. "Best we forget" is the implied slogan.

Yet the legacy of the Great Proletarian Cultural Revolution, to give its full title, is shaping the world's most populous country and its attitude to the outside world. China is now led by Deng Xiaoping, who was purged and spent his days labouring in a factory canteen. Other senior leaders "slept with the sheep" (a phrase to describe farm work) or were humiliated publicly and exiled to distant provinces.

There is a "lost generation" of young followers of "Mao Tse-Tung thought" who poured from the cities to get their hands dirty in the fields and "learn from the peasants." They are now bitter about the wasted years. One "lost" soul told me the generation feels "cheated."

The education system, the arts and the sciences, all were neutered and are still to regain their potency. Teachers were attacked by their students; artists were hounded and their creations destroyed; psychological therapy was based on reading Chairman Mao's works.

Assessing the consequences is not easy. At the time, many of those with the blurred vision they call "China-watching" were wrong, badly wrong. And the view is still distorted by the present leadership's impressionistic approach to recording history.

The Great Helmsman, Mao Tse-Tung, did not look over his kingdom one day and say "Let there be chaos." Political faction-fights had brewed for a decade before 1966 over where this profoundly backward country should be led. But if one was to pick a turning point it would be July 16 1966, the Day of the Big Swim.

The apparently frustrated 72-year-old Mao, realising that more moderate leaders were getting the better of his power, took a plunge into the Yangtze River in a media event that dripped with symbolism. He was said to have covered, with the aid of currents, 10km in just over an hour. It was a flexing of his political muscles, and a sign that the intense party conflict of preceding months was nearing a climax.

A few days later Mao attacked the two leading "capitalist roaders," the President, Liu Shaoqqi, and the Vice-Premier, Deng Xiaoping, who had showed his pragmatism by suggesting that it matters little whether a cat is black or white as long as it catches mice.

The diminutive Deng—peasants today call him "short man Deng"—was vilified as a "demon," a "freak" and a "bourgeois revisionist." The Government urged he be criticised "deeply and thoroughly." His son, Deng Pufang, was crippled when Red Guards threw him from a fourth floor window in 1967.

Deng Snr, purged again in 1976 and now 81 years old, has of course proved the Great Survivor. The Cultural Revolution has provided him with guidelines on how not to rule. He has done what Mao dared not . . . delegate authority. Deng Jnr is executive director of the China Welfare Fund for the Handicapped.

Liu, a life-long party man, was labelled a "counter revolutionary, renegade, hidden traitor and scab." He died three years later in a desecrated bank, and his remains were stored in a vault. Sympathetic Chinese regard him as the nearest the country has to a modern martyr.

The motive for the initial battle, and all that followed, is murky. It was partly power struggle, partly an assault on the bureaucracy by Mao, and partly an attempt to revive flagging revolutionary fervour from the top down, 27 years after the Communist Party had gained control.

Mao was conducting an experiment in mass democracy by attempting to institutionalise "class struggle," and he wanted to ensure that the Chinese character was irrevocably made ideologically pure.

The period was a source of inspiration for another social experimenter, Pol Pot, in his brutal attempts to change the face of Kampuchea.

The "Great Leader, Great Teacher, Great Supreme Commander and Great Helmsman," as the personality cult demanded that he be known, gave his reasons at the outset: "The current Great Proletarian Cultural Revolution is absolutely necessary and most timely for consolidating the dictatorship of the proletariat, preventing capitalist restoration and building socialism."

Ridiculously, Mao seemed uncertain about the exact meaning of it all and miscalculated where the unleashed forces of youth and army would lead. Violence became a sport, and those who were brutal felt fully justified. Reactions have included revulsion to violence similar to that felt in Europe in the wake of the world wars.

The gory details are many and varied. Much of the violence was contained in the first two years, when the pubescent "Red Guards" taunted officials and went on a rampage throughout China. Eventually, even Mao realised that his "little red generals" had gone too far in his name.

At Chungking, in the south-west, rival factions (the "August 15" and the "Fight to the end" factions) used tanks and mortars to prove political points. On Putuoshan, a southern island famed for its Buddhist relics, hundreds of statues were destroyed. One of the ransackers explained: "It was difficult for us to tell the difference between real culture and superstition."

It is difficult now for that reformed ransacker to explain why he did what he did. Reflecting on those confused times brings a smile, a sign that he has "lost face." In fact a whole generation realises it has "lost face," and indignation has evolved into humiliation. He was a teenager who thought he was doing the right thing by China and Mao, as well as savouring the power that he and his young fellow travellers had been given.

Like many other Chinese who suffered and inflicted suffering he looked for someone to blame. The Communist Party knowingly provided the whipping comrades — the Gang of Four. Mao's wife Jiang Qing and three of her radical associates were held responsible for almost everything that went wrong. The purpose was to shield Mao and, implicitly, the Party and the Revolution itself, but even during their trial, in late 1980, which ended in a life sentence for Jiang Qing, the Chinese spoke of the "Gang of Five," with Mao the fifth card-carrying member.

Sloganeering has faded, but the government has yet to analyse soberly the ideological conflict that led to the Cultural Revolution and still spouts the "Gang of Four" as the reason for the country's problems. For example, during a boat ride a few weeks ago on China's cherished West Lake at Hangzhou, in the south, a local official explained that the "Gang" built the factories that had polluted the lake.


David Lawrence

The distance between officially-portrayed reality and what actually happened might risk making the Party seem silly, so today any genuine discussion of the Cultural Revolution in the arts or media remains forbidden. Only sweeping statements invoking the evils of the gang are considered acceptable.

Attitudes toward Mao vary, although he is considered officially to be 70 per cent right and 30 per cent wrong. A young woman "sent down to the countryside," as it was called, assessed the great man like this: "Older people say with no Mao there would be no China. I say that if there was no Mao I would not have had problems. Some young people, for whom the Revolution and Long March are long past, tend to regard Mao as a buffoon, while others say he ruled for 20 years too long and China suffered for it." Interestingly, September 9 will be the 10th anniversary of his death, and the party might use the occasion to re-evaluate his role.

However, if it had not been for the years of turbulence, Deng and his pragmatists could not have turned China around. Just as Mao violated a society, Deng and colleagues have found it easier in his wake to violate basic Marxist beliefs. They have provided stability when the country badly needed it, and have been able to exploit disillusionment to push their bold reforms through.

But China remains divided. The discredited Party is more open to opportunists who realise that membership has become a guarantee of material comfort. The Dengists have tried to weed out those opportunists who joined during the Cultural Revolution, but have almost conceded defeat.

The brand of politics in the ascendancy from 1966 is now termed "leftism," and lingering "leftism" has been blamed particularly for the continuing poor economic performance of Shanghai, a former stronghold of Jiang Qing and her gang. A current joke claims that the last two Chinese cities to implement economic reforms are Taipei (in Taiwan) and Shanghai.

The bureaucracy that Mao attempted to uproot has become an even more serious problem now that reform has given more power to officials who learned then that it is best to keep a low profile. Many feel the political tide could turn and they could be beached, so instead of the creative decision-making that reform requires, officials procrastinate.

While the bureaucrats, in theory, have more power, the military has less. Co-opted by Mao to carve some order out of disorder, the People's Liberation Army, under the leadership of the "Chosen Successor," Lin Piao, went close to moving in on the Party's governmental territory. The ambitious Lin apparently plotted to kill Mao, but was killed himself when his aircraft crashed in Mongolia after the scheme was uncovered in September 1971. The military's political muscle has withered since, most decisively last September, when six elderly PLA officials were pensioned off from the Politburo, the core of power.

Within the ranks of the masses, there has been an inevitable polarisation. As well as sensing that its youthful idealism was exploited, the "lost generation" is certain that it has a unique understanding of life from having "been there and done that." A 32-year-old Peking student told me that such people had set themselves apart: "They tell us that we know nothing. They say that we are frivolous and we do not understand."

Many who left behind their education in the midst of the turmoil have grabbed new opportunities for study and work. An acquaintance who spent eight years planting rice in a remote province is showing a Manhattan-like obsessiveness to get ahead in her new job. Her case illustrates the difference between urban and rural Chinese, who still are in the fields planting rice. The returned urban youth talk arrogantly of their time working with the "ignorant" peasants. Instead of learning from them, as Mao had intended, the rusticated youths decided that the peasant life was not for them.

With most of the violence concentrated in cities, China's 800m peasants were less affected by the Cultural Revolution. They regretted that private plots were taken away and were bemused by the exuberant young people who landed on the land to tell them how to plough fields with Maoist slogans. As a result, education suffered a particular setback in rural China, where teachers are still regarded as close to the lowest form of life. And far from being inspired by grand Maoist ideals, the peasantry retained its hand-to-mouth ideology and found it a buffer against the disillusionment suffered later by those who were. For them, Mao was just another emperor, and like those before him, he had to fall.

Today the Communist Party has realised that its image is badly tarnished and has launched a drive to encourage more "intellectuals" to join. (Any person who has completed secondary school is regarded as an intellectual.) And Deng has promoted technocrats in accordance with his philosophy that it is better to be expert than red.

But the Party cannot replace the idealism that was shattered during the Cultural Revolution. Many people have been encouraged to screw what they can out of the "motherland" and to come to the conclusion that it does not pay to get "involved".

To listen today to Chinese recollections of the optimism and the exhilaration of the early 1950s — when the Chinese first realised they controlled their destiny — is to hear them say that it was their trusted leaders who had led them astray.

The Long View

War of words as friends fall out

World leaders are arguing about the prospect for growth and how to improve it, says Anthony Harris. And that concerns all of us —not least Mrs Thatcher and her re-election chances.

THE LEADERS in the world economy are starting to call each other names, and do not seem likely to stop in the near future. As reported, the arguments tend to sound a bit private and remote. It is not immediately clear why we should worry unduly about the US balance of payments, the growth of German central bank money, or the funding of Japanese pensions, nor get unduly steamed up whether the Tokyo summit agreement was something like a pact, or just a meeting of minds.

However, what they are arguing about is, at bottom, the prospect for world growth, and how best to improve it, and that concerns all of us — not least Mrs Thatcher, whose chances of re-election probably hinge on what the major economies do about growth (and on what Opec does about oil). If you are worried about your job security, or simply about your investments, it is well worth trying to follow what Mr Volcker, Mr Baker, Mr Nakasone and the rest are saying.

The American case is at least simple. We have led the world recovery for the last five years, and have run heavily into debt as a result, they say. Now it is the turn of those who rely on other people to keep their economies going — those who underspend their income, and have a fat balance of payments surplus to show for it. In other words, Japan and Germany, in that order.

The answer, in a variety of tones and accents, is that the problem isn't nearly as simple as that. It is not the level of output and demand that are causing the problem—if you can call a sustained, gentle recovery a problem—but the structure of output and demand, and that takes times to change.

We have done our best to help American exporters by co-operating in a huge dollar devaluation, but even that will only work slowly. What we can do at home will be even slower.

On the face of it, there is a lot in what the Japanese, in particular, have to say. They have developed a strong export industry, heavily concentrated in one or two sectors, to pay for all the expensive fuels and raw materials they expected to need. The fuels and raw materials are now cheap, so the Japanese payments surplus is now enormous; but not much can be done to put this right simply by stimulating demand at home.

The Japanese market simply couldn't absorb more than a fraction of the consumer electronics and cars they now export — they export, for example, half again as many cars as they buy themselves.

What they really want to do is to rehouse themselves in a style suiting a very rich country; but they have problems with terrain and archaic planning laws. The last time they simply threw money at the problem, the only result was that both Government debt and land prices shot up. Just be patient.

The Germans tend to take a more moral line. Their basic claim is that they have already done all the right things. The American recipe of debt-financed expansion produced a quick thrill and a bad hangover, just as they always said. Their own austere programme and tight budgeting and money control have worked like a strict training programme; the economy is now in splendid shape, and ready to run a Marathon. Just be patient.

Who is right, the Americans, or those whose policies they criticise? If you think you can answer that question, you have fallen into a logical trap, as I suspect the Germans and the Japanese have done. Saying that there is no need to worry about the level of demand in the world because the structure is wrong is like saying that a man cannot have a weak heart because he has a wooden leg.

This nonsense, by the way, like most nonsense, is inspired in the first place by the intellectuals. The macroeconomists, with their computer models and demand management techniques, and the microeconomists, who are concerned with structure and incentives, seem to have got into the same meaningless opposition as the Big-endians and the Little-endians. They cannot understand that they are both trying to crack the same egg. To the economic counter-revolutionaries, structuralism is just a handy stick to beat the demand managers now that the monetarist stick has cracked.

The truth is that although nearly everything that is said about distortions and incentives contains a lot of important truth, that does not mean that the Americans are not right too. What worries the newly-fashionable bears of Wall Street is that we are now risking a real deflation, an echo of the one that laid the world economy flat 57 years ago.

So far, they argue, growth is just disappointing; but this disappointment will lead to cuts in investment spending, depressing future growth still more, until we are in a downward spiral. There is simply no time to wait for structural reforms to work; we need a shot of adrenalin now, and only the surplus countries can afford it.

There are good reasons to hope that this pessimism is as exaggerated as was the optimism which ruled in Wall Street quite recently. Given the high level of consumer demand, the low level—by historic standards—of unsold stocks, and the determined expansion of the world's monetary authorities, we still seem to me to be engaged in the long-difficult debt work-out which started more than three years ago, known as stagflation.

That is hardly an inspiring prospect, though, and there is one more pressing danger which accounts for the new strident tone in Washington, the danger that a renewed downward slide in the dollar—which American industry would still welcome—could get clean out of control. Watch the dollar, and follow the international debate closely, and you should be able to pick up the alarm or the all-clear.

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هكذا من الأصل

· MARKETS ·

Investors fail to catch the honeymoon mood

A POPULAR young couple tied the knot midweek under the dewy-eyed gaze of over 350m television viewers around the world. The London equity market struggled ahead by a few points to mark the occasion. But that was it. As the royal pair made off for their honeymoon it was back to reality and falling prices.

Fretting about political uncertainties has developed into a habit in recent weeks and no matter what the Queen may, or may not, think about Mrs Thatcher's administration the City's unease with the course of events is self-evident in a drifting market. The report on the Westland affair on Thursday was a timely, if somewhat historical, reminder of the "political factor" which left the All-Share Index 1.3 per cent lower on the day.

Since the beginning of the month the All-Share has shed 50 points, some 6 per cent, and with the 770 level breached some chartists are now looking towards the 750 area as the next support level.

Politicians cannot be blamed for every downward point in the market's general trend, however. The ICI half time figures on Thursday provided nothing in the way of a tonic to a jaded market even though the results were fairly much as anticipated.

Pre-tax profits came out 12 per cent lower at £472m against £535m after a first quarter drop of £63m to £204m. There were few surprises within the sector breakdown. Everybody knew that agrochemicals and fertilisers had been going through a very rough patch and the oil and gas interests were not destined to make much of a contribution. But on the plus side, petrochemicals and speciality chemicals, including the Beatrice acquisition, contributed some impressive numbers—even allowing for negative currency factors.

Nevertheless the shares immediately fell 18p to 982p on the news, presumably because the most newsworthy message to come out of ICI this week was that the fall in the oil price had not triggered the improvement in economic activity that some had predicted. And there was the bear signal for the rest of the market.

But if the likes of ICI are not going to cut selling prices to reflect lower input costs perhaps it is not that surprising that the world economy has not shot forward. Still, sticking with the chemical giant in isolation, if it can hold on to its volumes in the second half and the oil price does not go shooting through to $20 and beyond, ICI may yet see profits reaching £1bn in 1986.

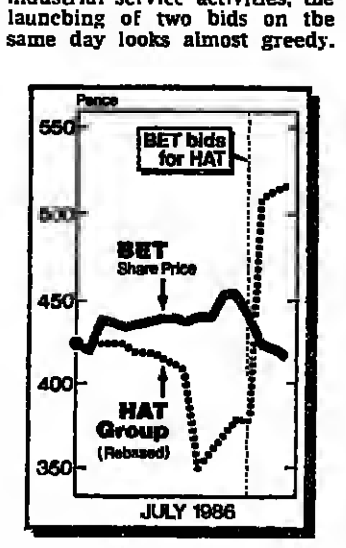
So far this year the group has had to contend with stock write-downs and customers that held off ordering in the belief that prices would fall to reflect lower oil costs. Weaker half time profits are the result.

Input costs have, however, fallen by around a fifth over the past 12 months compared to a 2 per cent rise in selling prices. If ICI can hold on to the margin gain that was evidently in June for the rest of the year there could be pleasant surprises at year end despite the likelihood of the usual seasonal dip in the third quarter.

London

Forecasts for 1987 have to be made with a heavily typed caveat about the outlook for the world economy but more than one analyst is looking for £1.2bn pre-tax. That drops the prospective earnings multiple to around 9, a 25 per cent discount to the market. If the profit assumption is right can ICI possibly underperform?

Having suggested here last week that BET had to prove that it can build on last year's successful profits rise to £124.6m by developing its core industrial service activities, the launching of two bids on the same day looks almost greedy.



BET has made share offers worth £31m for Brengreen and £96m for HAT Group. The aggressor's timing is spot on for both have recently reported poor results. Brengreen capitulated straight away but even so BET is far from home. Michael Ashcroft's Hawley Group quickly stepped into the market, raising its stake in Brengreen to 19 per cent.

A rival offer from Hawley would be far from welcome to Brengreen's David Evans and because Hawley has only just taken over Pritchard Services for £150m, the Office of Fair Trading may have something to say if Hawley bid.

HAT meantime has immediately rejected the BET offer. Yet the defence will have its work cut out to prove the bid inadequate. The shares have performed badly in the last three years, partly because of the bath the group took in the Houston property market and partly because the management appears to have lost its way. The strategic rethink and action hinted at for the autumn will do it no good now. The best HAT is likely to achieve for its shareholders is a higher price.

The market is getting used to some rather poor performances from the retailing marriages it has blessed over the last 18 months but Asda-MFI sticks out as one where marital bliss, at least in share price terms, did not even last the honeymoon.

Reported pre-tax profits for the 53 weeks to April came out at £166.4m against £158.2m for 52 weeks. After adjusting for the extra week and allowing for the capitalisation of interest charges profits growth comes out wafer thin.

Yet no matter how flat the numbers look for the past 12 months, a great deal has been going on underneath the surface. Asda is going all out to build up its lines of higher margin own-label groceries and by the end of this year own-label could account for almost 35 per cent of sales compared to virtually nil before the merger. MFI for its part is pushing into lighting, carpets, textiles etc.

The current year may not produce a great deal by way of bigger profits but an improvement to £185m looks a reasonably minimum target and if the trading mix gells that figure could be £10m or so bigger dropping the prospective p/e to under 13—a significant, and undeserved, discount to the likes of Sainsbury and Tesco.

As at Asda-MFI, much appears to be going on beneath the surface of Great Universal Stores. For years GUS has been one of the duller members of the retailing set, attracting complaints by analysts of the dead hand of central management. But on Wednesday the group reported results that were surprisingly good. Trading profits came out over 14 per cent up at £290.3m.

But what has caught the market's imagination is the potential of the coupling of management abilities, if not actual companies, with Harris Queensway. Evidently Sir Phil Harris and Lord Wolfson are getting along better than the market dared hope for and if Sir Phil's retailing flair can make some impression on GUS's stores, the dull image may become so much history.

Terry Garrett

MARKET HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986 High	1986 Low	
FT Ordinary Index	1,263.7	−31.7	1,425.9	1,094.3	Political and economic worries
FT Gold Mines Index	196.7	+11.0	357.0	185.7	President Reagan opposes sanctions
Boots	257	+14	286	226	Takeover speculation
Brengreen	47	+5½	47	33½	Bid by BET/Hawley acquires 18.9%
British Telecom	182	−12	278	180	Political uncertainties
Cable and Wireless	645	−43	738	568	Political uncertainties
Cheshire Wholefoods	252	+29	252	120	Chairman's confident statement
Diploma	192	−23	368	192	Analysts downgrade profits
Goring Kerr	310	−90	500	310	Disappointing interim figures
GUS A	985	−52	£11⅞	730	Profit-taking after results
HAT Group	127	+35	127	86	Bid from BET
Home Counties News	240	+47	240	84	Bid approach
Oldacre	180	+80	183	70	Agreed bid from Unigate
Parkdale	84	+25	84	43	Speculative demand
Plessey	202	−14	246	164	Doubts about GEC bid
Rank Organisation	463	−24	599	420	8m shares placed at 475p
Riddle (G.)	285	+102	290	147	Agreed offer from Grand Metropolitan
Spafax Television	148	+23	150	90	Agreed bid from Aspen Communicatns
Tarmac	438	−36	514	344	Dull Building sector
Viewplan	55	−25	100	55	Poor results

A dying breed revives

THE FLOTATION of Omnitech next week will mark a revival for what had appeared to be a dying breed: the USM start-up ventures.

Aylesbury-based Omnitech will be seeking about £1m in new equity to fund the promotion and marketing of what it claims is a revolutionary packaging machine used mainly for foods such as chocolates and biscuits.

Called Omnitrac, this machine is said to be much more efficient than conventional models. It has now been developed to prototype stage and negotiations are under way to put one on test in a working environment.

Omnitech is unusual in that it becomes the only start-up venture to have joined the USM this year. A few years ago, however, an issue like this would not have raised an eyebrow.

Companies are normally expected to have a three-year trading record before coming to the junior market, but stock exchange rules were drawn up to permit an exception where a company demonstrated the need for funds "to finance a project or product which could be shown to be fully researched and costed, and where the expected timescale before income started was not unduly protracted."

In the market's early days, many companies took advantage of this provision to seek equity funding for new ventures, but the number has gradually dwindled to the point where the provision seemed to be more or less dead.

One reason for the decline is that alternative sources of funding for start-ups have proliferated over the past few years with the expansion of the venture capital industry and the introduction of the business expansion scheme. Another is that as the USM has gained in maturity and respectability, it has increasingly been perceived as the wrong market for these higher-risk businesses: the over-the-counter market is now seen as a more appropriate home.

Perhaps the most important factor, however, has been the rough reception given to greenfield companies by investors whose patience has been severely tested by a series of disappointments and, in some cases, spectacular flops.

Many start-up companies tend to be optimistic about the time scale over which their projects will become profitable, and often have to go back to their shareholders for more funds. If the share price has already been undermined by lack of confidence in the prospects, however, this may not be a viable option, and the danger then is that they will run out of cash and go under.

Stories of start-up misadventures are legion. They began on the USM's first day, when Hesketh Motorcycles became one of the original 11 companies which constituted the junior market: many early punters ruefully recall how the would-be saviour of Britain's motorcycle industry suffered production delays because of a faulty gearbox and eventually collapsed through lack of funds.

Perhaps the most spectacular start-up was Nimslo International, which was floated in 1981 with the biggest market capitalisation the USM has yet seen—£250m. Unfortunately, the 3-D camera which the company was formed to exploit never took off, and the last set of results found the company blaming Hurricane Gloria for heavy losses in its portrait photography operations. Today, that market capitalisation is down to £13m.

Another cautionary tale comes from Xyllyx, the manufacturer of a coin-operated viewdata system which failed to win orders and whose shares have long been suspended. Synterials, the high-tech plastics company, never made a profit and was taken over by BBA last year at a fraction of its flotation price.

This is not to say that every USM start-up has to be a flop: Swindon Private Hospital, for example, has just managed to turn in a profit of £24,000 for the six months to January. But it does provide a difficult background for Omnitech's flotation.

Gresham House, the investment trust which backed the company with £500,000 in venture capital four years ago, argues that if Omnitech did not come to the market now it would have to wait until it had a three-year trading record, and the lack of access to equity funding in the meantime could hinder its development.

Gresham also says a classy list of big industrial customers is interested in Omnitech's machine and that this is the one start-up scheme that is going to buck the trend.

Quite, but jaded punters could be forgiven for observing that they had heard that one before. Wise investors will be putting in no more than they can gracefully afford to lose in the event that Omnitech's plans, too, should go awry.

Richard Tomkins

USM

UNLISTED SECURITIES MARKET

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
AE	177½§§	224	182	174.73	Turner & Newall
Aitken Hume¶	150	136	158	68.80	Tranwood
Assoc Heat Srvcs	490*§	490	440	39.20	Cie Generale de Chauffe
Authority Inv	130*	450	128	6.60	Messrs Backhouse Cmpbll & Jones
Authority Inv	500*§	450	400	1.57¢	Berkeley Hse Grp
Barrie Invs & Fin	19	14¾	16½	18.27	Bestwood
Benford Concrete	68	85	88	15.03	Blackwood Hodge
Benf'd Concrete¶	90†§	85	83	19.96	BM Group
Bestobell	544	518	498	87.61	Meggitt Hldgs
Biddle Hldgs	195*	185	165	7.80	Kone (UK)
Brengreen	45½	47	41½	29.63	BET
Brown (John)§	25	25	23	67.66	Trafalgar House
Bruntons (Mbrgh)	62*§	67	55	4.96	Carlco Eng
Burnett & Hallam	18½	12	22	7.16	Anglo Utd Dev
Clarke (Clmnt)§	240*	248	240	19.20	Boots
Com Bk of Wales	70*	70	76	16.80	Bank of Scotland
Eleco	131	137	140	21.88	Whitecroft
Gable House¶	208	207	203	16.10	Ladbroke
Gelfer (A. J.)	164½	160	148	10.28	Crowther (J.)
Grattan	540†	528	484	285.14	Next
HAT Group	120	127	84	81.99	BET
Ind Scot Energy	90*	88	85	20.50	Texas Gas Expln
JSD Computer	150†	145	155	8.17	Hestair
Land Investors	76*	75½	73	74.05	BCPH
Lngtn Indl Hldgs	218	215	210	13.68	Thomson T-Line
Maybew Foods	129½	131	115††	17.59	Northern Foods
Midland Marts Gp	180*	177	143	6.70	Oyston Est Agency
Oldacre	183*	180	105	25.80	Unigate
Owen & Robinson	£23*	£36	800	1.61	Messrs Davies and Ratner
Paul Michael	16¼§	50	16	1.21	Cleves
Prop Hldg & Inv	1375§	142	145	108.50	Greycoat Group
Rotaflex	490*	478	483	54.19	GTE Corp
Riddle (G.)	300h	285	157	14.18	Grand Metrop
Slaters Food	200	190	190	14.62	Freshbake Foods
Spafax Television	155†	148	123	6.06	Aspen Comms
Staffs Potteries¶	154†	153	143	8.81	Colorol
Sunbeam Wolsey	124	120	120	10.40	Crowther (J.)
Tern Group	51	45	43	1.19	Corton Beach
Whitwth's Food¶	531	55	63††	5.71	Booker McConnell
Yarrow¶	800§§	795	630	32.00	CAP Group

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on July 25 1986. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ||| Loan stock. ‡‡ Suspended. || Swedish kronor. a Tender offer for 25.1 per cent of capital. b Uns. Loan Note offer.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AAH	Mar	18,280	(11,250)	17.8	(12.6)	7.8	(6.79)
Arlen	Mar	151	(6)	—	(—)	—	(—)
ASDA/MFI	Apr	166,400	(158,200)	10.1	(7.8)	3.15	(2.75)
Ass Brt Eng	Mar	269	(1,750)L	0.1	(—)	—	(—)
Astra Ind Grp	Mar	726L	(102)L	—	(—)	—	(—)
Bespak	May	808	(2,270)	4.5	(17.0)	4.25	(4.25)
Bogod-Pelepah	Mar	216	(253)	—	(—)	0.31	(0.31)
Bristol Even Pst	Mar	3,520	(3,000)	37.2	(27.5)	27.0	(21.5)
Brit Bloodstock	Apr	1,230	(1,670)	20.6	(23.9)	8.8	(8.0)
Bromsgrove Ind	Mar	441	(212)	6.0	(5.2)	1.3	(1.0)
BTS Group	Mar	594	(564)	9.4	(8.2)	4.0	(1.5)
CASE	Mar	14,730	(10,500)	—	(11.6)	0.45	(1.35)
Dowty Group	Mar	47,610	(44,230)	14.6	(13.2)	5.5	(5.0)
Dyson, J. & J.	Mar	1,040	(725)	6.5	(5.5)	4.5	(4.0)
Elbief	Apr	603	(521)	—	(—)	1.89	(1.72)
Equipu	Apr	1,240	(1,400)	13.5	(18.9)	5.0	(4.5)
GUS	Mar	297,800	(260,700)	—	(—)	21.0	(18.0)
Grovebell	Dec	794	(1,300)	—	(—)	0.35	(0.55)
Hill, Thomson	Jan	1,140	(1,490)	—	(—)	—	(—)
Kenyon Secs	Apr	752	(343)	22.9	(16.2)	10.4	(9.38)
Norbain Elec	Apr	166L	(1,110)	—	(9.5)	0.7	(1.2)
Parrish, J. T.	Jan	90	(248)L	8.2	(2.1)	—	(—)
Quest Auto	Feb	365L	(307)	—	(2.1)	—	(—)
Real Time Cntrl	Mar	413	(313)	3.4	(3.9)	2.0	(2.0)
~~Sound Diff~~	~~Dec~~	~~5,300~~	~~(4,700)~~	—	(—)	0.5	(0.42)
Stormgard	Mar†	734	(45)	1.1	(0.7)	—	(—)
Tex Hldgs	Mar	427	(341)	11.3	(9.2)	4.5	(3.5)
Thorpac	Mar	231	(75)	6.2	(2.2)	2.5	(2.0)
TOPS Estates	Mar	119	(62)	1.1	(0.9)	0.95	(0.63)
Viewplan	Mar	367	(704)	4.0	(6.0)	1.26	(—)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Automated Secs	May	4,300	(3,200)	0.66	(0.55)
Bensons Crisps	May	11	(48)L	—	(—)
Bullough	Apr	6,160	(4,700)	3.2	(2.7)
Burndene Inv	Mar	743	(—)	—	(—)
Cons (Cmp & Fn)	June	562	(—)	0.7	(0.2)
Control Tech	Mar	606	(386)	1.0	(0.8)
Dewhurst	Mar	187	(166)	0.4	(0.35)
First Leisure	May	2,070	(1,330)	2.5	(2.0)
Goode, Durrant	Apr	780	(466)	—	(—)
Goring Kerr	June	1,020	(1,250)	3.85	(3.5)
Hill & Smith	Mar	839	(173)	1.3	(1.14)
ICI	June	472,000	(535,000)	14.0	(13.0)
Ladies Pride	May	13L	(138)L	0.5	(0.5)
Lowe, Robert H.	Apr	231	(130)	0.5	(—)
Neil & Spencer	May	81L	(405)	—	(—)
Plasmec	June	140	(40)L	0.7	(1.0)
Saga Holidays	Apr	1,830L	(1,830)L	1.6	(1.6)
SGB	Mar	8,300	(4,000)	—	(3.31)
Tace	Mar	1,710	(1,330)	2.84	(2.1)

(Figures in parentheses are for the corresponding period)

* Dividends are shown net pence per share, except where otherwise indicated. † For 15 months. L Loss.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

Acatos & Hutcheson—Offer for sale of 4.7m shares at 160p.

Atlas Converting Equipment—USM placing of 2.6m shares at 120p.

Marina Development—Offer for sale of 5.5m shares at 110p.

RIGHTS ISSUES

Associated British Engineering—To raise £1m through a rights issue on the basis of one for one or 23 for each conv pref share held at 2p.

Berkeley Technology—To raise £29.75m through a three for 20 rights issue at 200p.

Blackwood Hodge—To raise £12.6m through a two for five rights issue at 39p.

Medminster—To raise £0.55m through a one for four rights issue at 120p.

Rock—To raise £1.2m through a one for three rights issue at 21½p.

Tod—A one for five rights issue at 125p.

Boost for the banks

IT IS AN important week for the financial services sector with three major groups reporting figures. Kicking off will be NATIONAL WESTMINSTER BANK whose Tuesday interims are expected to show pre-tax profits of around £445m.

Last year's first half figures were particularly disappointing at £354m and domestic banking profits will accordingly be able to show a substantial increase in lending to the individuals, both in the higher margin personal loans and in the lower margin mortgage market.

International profits are likely to be down, reflecting NatWest's caution in expanding into a market which has caused so many problems in the past. Despite the dilution effect of the rights issue, the drop in the tax charge to around 40 per cent will keep the earnings per share increase ahead of the profits rise.

The interim figures for MIDLAND BANK, due on Friday, are expected to show pre-tax profits just shy of the £200m mark after £151m last year. Since the tax rate will fall from around 59 per cent last year to around 50 per cent this, the net effect will be a significant rise in earnings per shae.

Midland has pushed hard to get a slice of the UK mortgage business by undercutting its rivals' rates and although margins have suffered, the overall effect will have been to push up domestic banking profits. The bad debts provision and the disposal costs of Crocker will prevent international profits from showing the same rate of growth but they should still top £150m. Analysts are predicting that the strength of these figures will allow Midland to raise its interim dividend for the first time since 1982.

Analysts have been marking up their forecasts for MERCANTILE HOUSE, from the £55m predicted at the interim to around £65m. The reason that Wednesday's prelims are expected to be so much improved relate to good trading performances from Oppenheimer before its sale and from Alexanders, the discount house.

Results due next week

These better results will be unlikely to improve the market's cautious view of Mercantile's short term prospects. The group's substantial commitment to market making makes many analysts uneasy, particularly as the fall out of gilts market primary dealers may rival the Commonwealth Games boycott. On the equities side, the post-Big Bang commissions cuts and the prospects of a bear market will also leave Mercantile House exposed. As a consequence, rumours of a bid for the group or of possible sell-offs of its constituent parts will probably continue.

When Mr Rupert Murdoch used the attraction of News International's stake in REUTERS to raise a finely priced $200m in May, he may not have expected the shares of the global business information company to rise much above the 450p level.

However, the City has concluded that Reuters' interims due on Monday will be better than just good—at around £57m pre-tax, up almost a third on 1985's £43m—and there has been a lot of buying ahead of the figures. Even News International has been out shopping for Reuters' traded B shares in order to top up its holding so as to meet the potential demand from those who bought the bond—which can be converted from August 18 onwards into Reuters' B shares.

Buoyancy in Reuters core markets—Europe and Asia—plus the continued expansion in the US, where last year's acquisition Rich Inc should contribute $11m this year, all suggest that the group's growth rate will remain 30 per cent plus for the foreseeable future. Competition, surprisingly, appears to be weakening rather than otherwise; and the exceptional costs which took £5m off the 1985 full year result should not be repeated.

DEE CORPORATION seems to have spent the last four months making one acquisition after another. First came Herman's Sporting Goods ($414m in late March), then the 12 Woolco superstores (£26m), Fine Fare plus Shoppers Paradise supermarkets (£686m) and finally M & H Sporting Goods (£45m) with the spare change left over from its controversial £350m vendor placing.

All of this means that Mr Alec Monk's group has changed so drastically since its April year end that the preliminary figures due to be announced on Tuesday, £85m pre-tax being expected compared with £56.3m previously, are largely academic.

Inevitably the analysts are already looking ahead to 1986-1987 and will be wanting indications of just how the US expansion is settling down. The market, which has had some large doses of Dee equity to absorb, may be hoping for signs that Mr Monk will take a breather for a bit.

In the first six months of 1986, LEX SERVICE GROUP has sold off all of its transportation activities, which provided a sixth of trading profits in what was a rather depressed 1985.

However, the interim figures will not reflect this change fully yet. The City'a expectation is for £15m to be reported on Thursday, up sharply from the £7.9m in 1985 thanks to a lower interest charge and a better performance at the two US electronic component distribution companies. Losses at DJC should be sharply reduced and analysts expect a swing back into the black at Schweber.

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Aim Group	Thursday	1.9	3.85	1.9
Alva Investment Trust	Tuesday	1.6	1.3	1.3
Blede, Peter	Thursday	0.525	1.1	0.588
Cray Electronics	Thursday	0.738	2.23	0.557
Dee Corporation	Tuesday	2.25	4.0	2.8
Gibbs Mew	Thursday	1.1	1.48	1.1
Gold Greenlees Trott	Tuesday	—	—	—
Greggs	Wednesday	1.65	2.85	—
Havelock Europa	Tuesday	0.7	1.8	1.12
Hillards	Monday	0.85	2.05	1.0
Maller Estates	Thursday	—	3.0	—
Mercantile House Holdings	Wednesday	4.0	8.0	4.25
Merrydown Wine	Monday	0.88889	4.44444	1.0
Mid Wynd Intnl. Investment Trust	Tuesday	0.9	1.25	1.0
M L. Holdings	Thursday	2.0	5.0	2.3
MS International	Wednesday	—	0.1	0.5
Murray Smaller Markets Trust	Monday	0.7	1.8	0.8
Neepsend	Friday	—	0.1	—
Norton Opax	Monday	0.8	2.0	1.0
Parkfield Group	Monday	0.8	1.6	1.2
PCT Group	Thursday	1.6	1.6	1.6
Ransom, William	Thursday	1.65	7.0	1.82
Smith, David S.	Thursday	1.0	2.0	1.4
Stavert Zigomala	Wednesday	—	8.12	—
Tinsley, Eliza	Tuesday	1.0	1.8875	1.0
Tomkins, F. H.	Tuesday	0.775	1.475	1.0
TR Trustees Corporation	Monday	1.2	2.8	1.8
Worthington, A. J.	Tuesday	—	—	—
Zetters	Wednesday	1.0	3.0	1.25
INTERIM DIVIDENDS				
Aaronson Bros.	Thursday	1.2	3.0	
AMS Industries	Monday	—	0.825	
Argyle Trust	Thursday	—	1.0	
Burmatex	Tuesday	2.0	3.75	
Cardiff Property	Friday	0.8	1.2	
Child Health Research Investment Tst	Tuesday	—	—	
Commercial Bank of Wales	Tuesday	—	2.4	
Consolidated Tea Investments	Friday	1.85	3.32	
Continental Assets Trust	Monday	—	—	
C.S.C. Investment Trust	Wednesday	3.8	5.75	
D J. Security Alarms	Tuesday	0.65	0.85	
Jacobs, John I.	Wednesday	1.4	2.2	
Jebsons Drilling	Thursday	—	—	
Johnstone's Paints	Thursday	1.765	2.5	
Jourdan, Thomas	Monday	1.05	2.625	
Lex Service	Thursday	4.1	8.5	
Macarthys Pharmaceuticals	Thursday	3.5	—	
Midland Bank	Thursday	11.0	14.5	
Mount Charlotte Investments	Wednesday	0.53	0.87	
National Westminster	Tuesday	10.0	18.3	
Reuters	Monday	1.25	2.0	
Somportex	Wednesday	—	—	
Splash Products	Tuesday	—	—	
Weco Group	Wednesday	—	—	
Webber Electro Components	Tuesday	1.15	1.15	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	4.30	4.39	3.40	2.47	monthly	1	—	0-7
High interest cheque	7.20	7.40	5.73	4.17	quarterly	1	2,500 minimum	0
Three-month term	6.56	6.72	5.21	3.79	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	5.25	5.32	4.12	3.00	half yearly	1	1-250,000	0
High interest access	7.00	7.00	5.42	3.94	yearly	1	500 minimum	0
High interest access	7.25	7.25	5.62	4.08	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.81	4.23	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	10,000 minimum	0
90-day	7.75	7.90	6.12	4.45	half yearly	1	500 minimum	90
Premium	7.69	7.91	6.13	4.46	quarterly	1	10,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.75	7.63	5.91	4.30	yearly	2	5-100,000	30
Income bonds	11.25	8.41	6.52	4.74	monthly	2	2,000-100,000	90
31st issue‡	7.85	7.85	7.85	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.01	8.01	8.01	8.01	yearly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.11	7.24	5.61	4.08	half yearly	1	2,500 minimum	0
Schroder Wagg	6.73	6.94	5.38	3.91	monthly	1	2,500 minimum	0
Provincial Trust	7.66	7.93	6.14	4.47	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	9.14	6.87	5.62	4.44	half yearly	4	—	0
10pc Treasury 1990	9.44	6.58	5.00	3.51	half yearly	4	—	0
10.25pc Exchequer 1995	9.53	6.64	5.04	3.54	half yearly	4	—	0
3pc Treasury 1987	6.93	6.04	5.55	5.09	half yearly	4	—	0
3pc Treasury 1989	7.04	6.11	5.60	5.12	half yearly	4	—	0
Index-linked 1990¶	7.71	7.11	6.78	6.47	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

هكذا من الأصل

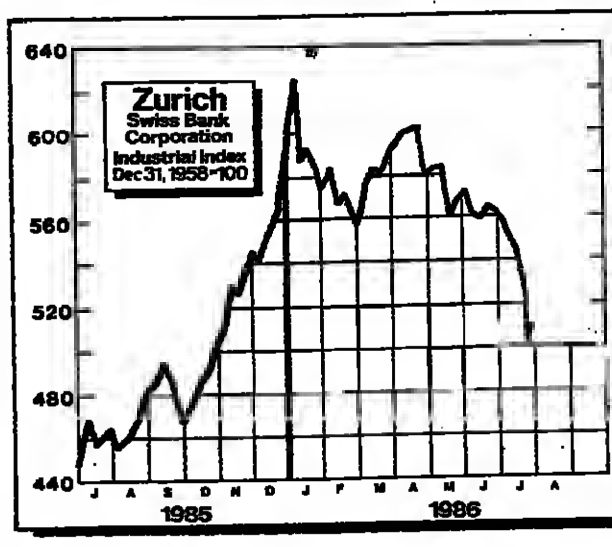
Equities in the doldrums

THE PAST few weeks have seen a rapid drop in Swiss equity prices. In the wake of Wall Street, the share index has experienced a series of sudden slides, most recently with a massive 3.3 per cent decline on Tuesday. By midweek, the Swiss Bank Corporation index had fallen to 580.7, its lowest level since early December and almost 14 per cent down on the all-time January high, before showing a slight improvement at the end of the week.

Figures for the first half of 1986 show a considerable growth of bourse activity over the corresponding period of last year, with securities transactions in canton Zurich of almost SFr 300bn. This reflects the hectic conditions in the first few months, however, when business regularly proved too much for the city's cramped stock exchange and trading sessions had to be prolonged to well after the statutory time limit.

An important factor in the recent downturn, which led to a loss of almost 55 index points since as recently as the end of June, has undoubtedly been the psychological impact of the Dow Jones nose-dives. Lower equity prices in New York generally set the scene for similar developments in Zurich. However justified these may be, they are expected by the investor and thus have the nature of self-fulfilling prophecies.

There are several other considerations over and above this follow-my-leader reaction which have depressed Swiss share quotations, though. Particularly significant among them is the continued fall of the dollar, which by Thursday was below SFr 1.72—the lowest point since late 1980. At the same time, the Swiss franc is unusually strong in terms of other key currencies, first and foremost the mark. There are fears that this could drop to under the 80-centime parity for the first time since early 1984 unless the national bank intervenes.



Misgivings on the foreign-exchange front, linked with similar uncertainties as to the development of interest rates, have led potential investors to wait and see what happens next. The uncomfortable firmness of the national currency is also viewed (not unnaturally) as a disadvantage for Switzerland's export-orientated manufacturing industries. All this is taking place in the summer doldrums when not much business goes on, anyway, so that even modest sales have a disproportionate effect on a market with so few buyers.

The situation is aggravated further by the influx of new equities, especially as a result of the unprecedented flood of (non-voting) participation certificates. According to Credit Suisse estimates, total share issues in the first half amounted to more than SFr 4.06bn, as against only about SFr 1.4bn for the January-June period last year. Twelve Swiss and eight foreign equities were listed in Zurich for the first time in the first six months of 1986, quite apart from an even larger number of bonds.

Observers of the Zurich scene are not expecting any major recovery, certainly not until investors have a clearer reading on exchange and interest rates. Nor would it seem logical for the indices to return to the exaggerated level of this January.

Switzerland

For all that, there is a lot going for Swiss equities. The drop in prices has meant an increase in yield on the basis of the SBC index from about 1.8 per cent to 2.2 per cent over the past six months. This compares with an annual inflation rate which fell to a mid-year level of no more than 0.8 per cent.

In addition, the very strength of the Swiss franc which is causing concern to exporters also promises attractive currency gains for foreigners and removes serious translation-loss risks for domestic investors.

First-half reports of major companies have also been generally encouraging. The banks particularly are obviously heading for yet another bumper year, which, in the light of their recently more flexible dividend policy, could conceivably mean more for the shareholders again. The chemical companies have all announced apparent drops in sales for the first half; but these solely reflect the appreciation of the franc and 1986 looks like being at least a satisfactory year. The engineering industry has not yet fully recovered from the recession of the early 1980s but is doing increasingly well.

In April, Bank Vontobel forecast a 15 per cent rise in this year's profits of 110 listed Swiss companies and a 13 per cent increase in their dividends. How reliable these estimates are, not least in view of the rocketing franc, remains to be seen. It does look, though, as though the country's gross domestic produce will improve by something like 2 or 3 per cent in real terms in 1986, reflecting an overall substantial growth in corporate activity.

With share prices still only a couple of days away from their lowest in eight months, this might well be a good time to get in at a level rather closer to the bargain basement.

John Wicks

Gold diggers

"HALLO, Moley," I said, "haven't seen you for quite a while." The furry friend perched on my desk was too occupied with switching off his helmet lamp to reply for a while.

Facetiously, I added: "Been stuck in the tube?"

That did it.

"I presume," replied Talpa Europoea, with a disdainful twitch of the whiskers, "as how you are referring to my tunnelling. Well, let me tell you that we of the family Talpidae know how to dig 'em. We don't get stuck.

"Still," he continued, "I must say that while I've been away a lot of things seem to have been going down the tube, in a manner of speaking."

"Like falling prices of UK industrial shares?"

"Yes, I don't like the look of a market that seems to lose interest in good news but responds to the bad variety. Then, there's the fall in the value of the pound.

"Doesn't look so bad against the dollar but that's only because Yankee money is weak, too. I tell you, I noticed the difference when I changed some sterling for Deutsche Marks in Frankfurt last week."

That made me think. Why, I mused, should a mole need Deutsche Marks or, for that matter, any other kind of money? To buy batteries for his miner's lamp, perhaps?

"You're not listening, are you?" reproved the mole.

"Sorry, Moley."

"All right then. I was about to add that while lower oil prices may have triggered off the fall in sterling, a powerful adverse factor in the background is the uncertainty about the outcome of the next general election and that one's going to be with us for some time yet.

"So, with these factors plus other political problems, such as the South African situation, thrown in, it is not surprising that some investors in UK equities have been taking profits while the going is good."

"Could be happening in the US as well after the big rise in that market," I suggested.

"There's another currency in trouble," replied the mole. "It's fallen to the lowest ever against the Japanese yen and to a five-year low against the Deutsche Mark.

"That worries the Germans because, with their strong currency, they are getting less for their dollar exports when the money is brought home. So, their share market has been looking uneasy and, incidentally, even the one in Japan has had a tremor.

"Seems to me," he continued, "that we are in a situation where uncertainties of one sort or another are upsetting currencies all over the place and, at the same time, there is a lot of money about which isn't too sure where to go.

"And when money starts to get uneasy, where does it turn to for shelter?" asked the mole, triumphantly.

"Gold?"

"S'right," said Moley. "Only a month or so ago, most of the experts were agreed that the price of gold was underpinned by a good industrial demand. But they could not see it rising much in the absence of the investment buying which is usually prompted by inflation fears.

"Now they're not so sure, especially after this week's little flurry in the price to $355 per ounce at one time. It soon came back, but some observers reckon it could move up again in the next few months. Meanwhile, I hear that Japanese and

Mining

Far Eastern demand for gold has been strong this year."

"David Williamson, of Shearson Lehman Brothers, is cautiously bullish," I said. "His firm's mid-year review of metal markets published this week sticks to the opinion that the bullion price will continue to rise 'very gently' for the rest of this year and could average $400 in 1987. He is particularly keen on platinum, though, and so is Credit Suisse of Zurich."

"Agreed," said the mole. "Both metals offer a hedge against the present currency uncertainties and can be bought in the form of coins although, of course, these don't pay any interest."

"Still," I said, "if you are right, this loss of income could be made up by capital appreciation. But what about mining shares?"

"They would show a sharper gain in the event of rising metal prices, but if the South African issues are to be avoided there is little scope as far as platinum is concerned.

"There are plenty of non-South African gold issues. It might be worth looking at some of the Canadians, while the better-class Australian issues which have fallen back are also worth considering."

Kenneth Marston

Optimism gives way to doubt

US SHARE prices stabilised this week after the sharp slide of the previous fortnight; and hopes began to rise that perhaps this month's sharp correction, which had knocked 7.5 per cent off the value of the stock market in just eight trading days, had run its course.

Share prices rose in the early part of the week and the Dow Jones Industrial Average pushed above the 1800 level several times. Analysts are now talking in terms of the market, as measured by the Dow, trading in the 1750 to 1850 range for the next few weeks until the investment outlook becomes a little clearer.

The unbridled optimism of early July has given way to considerable uncertainties as doubts have risen about the strength of the economy, the pace of corporate profit growth, the outlook for the dollar, and interest rates. Oil prices have also been moving erratically ahead of next Monday's Opec meeting, adding to the conflicting undercurrents that were very much in evidence in the various sectors of the financial markets in New York this week.

In the credit markets, concern about the US Government's huge borrowing needs over the next few weeks sent bond prices tumbling. By Thursday, the yield on long dated government bonds had risen by more than 20 basis points to 7.4 per cent, while short term interest rates had risen by around 10 basis points with six month US Treasury bills now yielding 5.87 per cent.

Most of the sell-off in the bond market occurred after Paul Volcker, the chairman of the Federal Reserve, gave his half-yearly testimony to Congress on Wednesday. As often happens, the financial markets had difficulty interpreting Volcker's smoke signals. However, the general conclusion was that he appeared to be hinting that there was no need for another discount rate cut in the near future.

He also appears to be coming round to the rest of the Administration's view that the rest of the industrialised world has to do more to stimulate the international economy, and to be less worried about a collapse in the dollar which this week temporarily dropped below the Y155 level on Monday.

The big economic news of the week was Tuesday's announcement of the US gross national product figures, which showed that the economy grew at an anaemic 1.1 per cent in the second quarter. This was well below the 1.5 per cent forecast and is the weakest performance since late 1982.

On the other hand, the first-quarter GNP growth rate was revised upwards from 2.9 per cent to 3.8 per cent and the ever-optimistic Administration is now upgrading its 1987 growth forecasts to around 4.5 per cent a year. This is nearly twice as fast as the growth rates being pencilled in by many Wall Street analysts.

Wall Street

All of this is making analysts rather gloomy about the outlook for corporate profits and the latest news from the corporate sector has not been particularly encouraging this week. Most of the major companies reporting second-quarter earnings have now made their announcements and this week's batch of resultes underlined the patchy performance.

General Motors' shares dropped sharply after it reported a 21.5 per cent fall in its second-quarter earnings per share to $2.81. Chrysler's earnings were also down by 6 cents a share to $3.29. However, Ford's earnings jumped by 61 per cent to $4.02 a share and the number-two US car giant now makes more money than GM, even though its second-quarter sales of $17.3bn are $10bn less than those of GM.

Roger Smith, GM's chairman, says his company is facing cost pressure as it revamps its technology, systems and organisational structure "in the face of unprecedented worldwide competition." He remains optimistic about GM's long-term outlook and says that any car-maker which "focuses only on short-term profits jeopardises its competitiveness in the long run." However, analysts are sceptical and GM's shares are now trading around the $71 level, which is where they were six months ago, when the stock market was almost a fifth lower.

Wall Street's brokerage firms have also posted widely differing performances for the second quarter. E. F. Hutton suffered fresh ignominy this week, by reporting a $4.7m second-quarter loss after heavy bond trading losses in May. Salomon also notched up some hefty bond trading losses in May but this only dented its performance and for the first half of the year its earnings are 7 per cent ahead at $2.05 per share.

The recent drop in oil prices is also continuing to wreak havoc in certain parts of the corporate sector. Last week, it was the banks that were feeling the pain. This week, it has been the turn of the oilfield service companies. Hughes Tool — which issues a weekly count of drilling rig activity that is one of the most closely watched barometers of the health of the oil industry — reported a $446m second-quarter loss and slashed its dividend for the second time in two years to a token 2 cents a quarter.

Roger Smith of General Motors

Four years ago, there were 4,500 rigs drilling for oil in the US. Today, the figure is around 660, its lowest level ever; and if oil prices drop into single figures, the number will go still lower.

MONDAY	1779.11	+ 1.13
TUESDAY	1795.13	+16.02
WEDNESDAY	1798.37	+ 3.24
THURSDAY	1791.62	− 6.75
FRIDAY	1810.04	

William Hall

David Lascelles reports on the preparations for Britain's largest bank flotation

The balloon goes up

MANY PEOPLE must have noticed a sudden spurt in advertising for the Trustee Savings Bank on TV and in the papers this week. All sorts of unlikely folk wearing bowler hats, such as car mechanics, ballerinas and babies, have been urging us to "own a bank."

Eight months behind schedule, the £1bn flotation of the TSB is back on the road. The legal wrangles which delayed it have been sorted out, and the great day is now slated for mid-September (the exact date has not been disclosed but it will probably be in the week of September 8.)

In promotional terms, the UK's largest bank flotation promises to be a real blockbuster. The TSB wants more than a million shareholders and it will be spending more than £30m on publicity to draw them in. This makes it second only to British Telecom which had about 2.3m shareholders on flotation. The same agency, Dewe Rogerson, is handling the advertising and public relations.

A share information office has been set up in Bristol (PO Box 330, Bristol BS99 7TS, tel 0272 300 300) to handle what the TSB hopes will be a flood of inquiries. It has already received half a million, and all callers will automatically get a prospectus and application form nearer the time. Information is also being put out through the TSB's branches.

The media blitz is specially vital since the run-up to the flotation coincides with the peak holiday period, and many potential investors could fail to get the message altogether.

The TSB is reserving about half the shares on offer for its own staff and customers who had opened accounts by December 17 1984. But to get on the priority list, those customers must register by sending a special card (available from the information office or TSB branches) by September 5 or else they will lose their entitlements.

But lest this preferential treatment discourage other potential investors from applying for shares, Sir John Read, the chairman, says: "We are equally keen to attract a wide response from the general public."

The full terms of the issue and the pricing will not be known until a few days before the flotation itself. But more information should come out during the run-up in the weeks ahead.

The TSB has promised, for example, that there will be "special offer features" to be disclosed next month. It has already been announced that shareholders will be able to pay for their shares in instalments, half at flotation, half a year later.

The minimum amount of shares that investors can buy will also be decided in the coming weeks; this will be low enough to draw in the small investors which the TSB is particularly keen to have. Some time next month, the TSB's merchant bankers, Lazards, will also issue a "pathfinder" prospectus—a kind of preliminary issue document to give investors time to prepare for the actual pricing in the final prospectus.

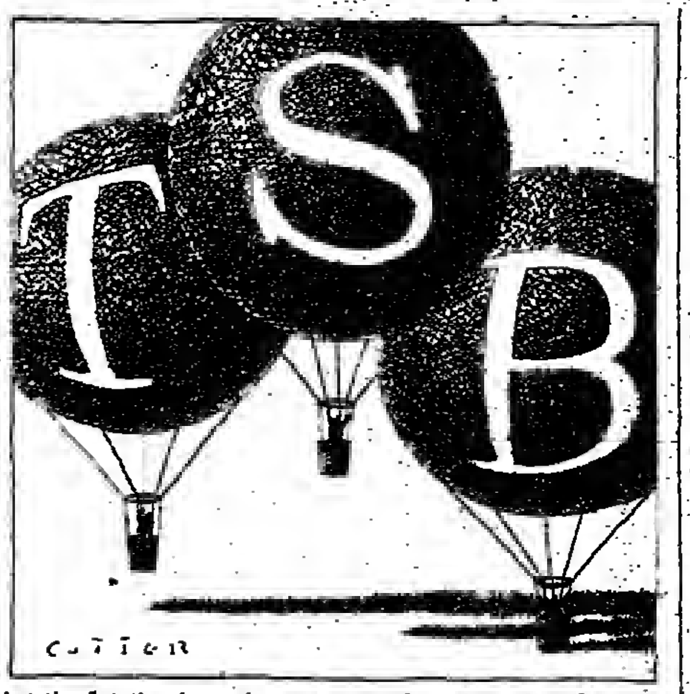
Although no one will be able to say definitely whether the TSB is worth subscribing for until that price is known, few people in the City doubt that it will be attractive, if only because the TSB has laid so much stress on drawing in such a huge army of small investors.

The biggest doubt in the City's mind is whether the TSB will find something useful to do with the £1bn it raises, rather than just invest it in gilts. Sir John says the TSB has given a lot of thought to that, but he is not prepared to be specific about his plans just now.

In a recent report on the TSB, stockbrokers, Phillips & Drew said the recent expansion of its lending activities justified its claim to be "The fastest moving bank in Britain." But the group, it says, "runs the risk of being over-capitalised."

Dewe Rogerson's own research "as one might expect" is optimistic. In a poll this week, they found that 40 per cent of the public were aware that the flotation is coming—an unusually high figure. The figure for TSB customers was even higher: 51 per cent. Most of these respondents were in the AB and C1 socio-economic brackets, which suggests that the TSB still has to get the message through to the others.

Of those who knew about it, 61 per cent said they thought the TSB would make a good investment, and only four a bad one. The rest were not sure. They have about seven weeks to make up their minds.



A little extra

Margaret Hughes finds the Halifax expects few rapid changes in building society services

YESTERDAY, THE new Building Societies Act received Royal Assent. This new legislation, represents the first major changes in the structure of building societies for more than a hundred years. Most of the changes will come into force in January 1 next year. It will allow the societies to undertake all sorts of new activities which they have been prevented from doing until now.

But don't expect that when you walk into your local branch the next morning that it will look radically different or that you will suddenly be showered with a plethora of new products and services. That, at least, is the view of Mr John Spalding, chief executive of Britain's largest society, the Halifax, who has also been a prime mover in putting the industry's case for new legislation.

The Halifax, like all the other societies, is keeping its future plans close to its chest, not least because it still has to gain approval from its members to allow it to move in to the new areas. In late November the Halifax will spend £1m to call a special general meeting when 75 per cent of those voting either in person, or by proxy, will have to approve the Board's desire in principle to utilise all the new powers.

In John Spalding's view it will be a process of evolution. "We want to be allowed to adopt all the new powers but we can't do everything at once," he says. After years of restraint the new legislation will "set the tiger running but we must not fall into the trap of becoming a second-class bank". He anticipates that on Day One his society will start to offer personal loans of up to £5,000 — the limit permitted by the new legislation. Initially, at least, these loans will be linked to house purchase and therefore extended for financing furniture and fittings only.

He expects that because his society will be lending to customers whose creditworthiness has already been established through their mortgage application, they will be able to undercut the rates offered by banks on their personal loans. But he is realistic enough to recognise that societies will enjoy this competitive edge for a limited period only. Banks have already sharpened up their personal loan terms and will inevitably respond to the competition.

In time Mr Spalding, whose society is adopting a relatively cautious approach compared with some societies, expects to move into a much wider range of consumer lending.

Though the Halifax was the first society to offer a cheque book account—as long ago as 1916—he does not intend to expand much on this front ("It's far too expensive") beyond offering a cheque guarantee card, which societies cannot do now. The only future role he sees for cheque book accounts is those offering a high interest with a chequing facility.

If you want to run a current account at the Halifax into which you pay your monthly salary, which Mr Spalding hopes you will, it will be linked to its Cashcard where he sees much greater scope for development "and where our technology is more advanced than that of the banks."

Your Cashcard which will act as a cheque guarantee card as well as cash dispenser card, will also give you access to overdrafts and other related facilities. Ultimately you will be able to use it as a point of sale card where you will be able to pay for your retail purchases by direct debit to your account.

The Halifax intends to move straight into insurance broking, Mr Spalding says. "We already have the necessary staff in-house and intend to be a major force." but again it plans to do so only gradually, so that initially it will be linked to house purchase. "On Day One you'll be able to go to the Halifax to take our house and contents as well as life insurance but you'll have to wait a bit longer until you can buy your car or travel insurance from us."

Mr John Spalding: A process of evolution

Though the Halifax aims to move into the stockbroking arena—selling stocks and shares, unit trusts and personal equity plans (PEPs), as well as providing investment advice—the Society will not be rushing in until it has acquired the necessary expertise.

Mr Spalding expects the Halifax's over-riding commitment to remain with the housing and house purchase market rather than banking, "though popular banking will be an inevitable offshoot." He adds: "We will not be a main-line City institution; the new Act limits us too savagely for that."

As soon as it is allowed to, the Halifax plans to buy land for development with the aim of providing 3,000 homes a year by 1990 in areas of need, for sale or rental. Mostly this will be sheltered or fragile sheltered housing where the ability to extend index-linked mortgage will be a major advantage. "Once we can own property (other than our own offices), shared ownership schemes will be much more feasible."

The Building Societies Bill will allow societies to:
- Make unsecured loans up to £5,000.
- Offer second mortgages.
- Provide estate agency/surveying services.
- Offer cheque guarantee cards and overdrafts.
- Offer all-round insurance services.
- Help customers buy and sell shares.
- Give index-linked or equity mortgage loans.
- Participate fully in shared ownership schemes.
- Develop, own and manage residential land.
- Own subsidiary companies.
- Lend in the EEC and other approved countries and territories.

Inflation proof?

NATIONAL SAVINGS' new index-linked certificate, announced last week, has done a good deal to restore the somewhat tarnished reputation of "inflation-proofed" investments which have in recent years done rather worse than their fixed-interest rivals.

Offering 4.04 per cent real annual interest on top of the increase in the Retail Price Index (RPI) over its five-year life, the new Fourth Issue Index-Linked Certificate will give a better return than the 31st Issue National Savings fixed-interest certificate—which pays 7.85 per cent a year over five years—so long as inflation averages more than 3.81 per cent.

How does it compare with index-linked gilts, which are the other form of inflation-proofed investment offered by the Government? Since they were introduced in 1981, these have under-performed almost all other types of investment. While their value is inflation-proofed if you hold them until their maturity dates, their prices in the stock market have often failed to keep up with the RPI.

Mark Cliffe, chief economist at stockbroker Capel-Cure Myers, calculates that, for most people, index-linked gilts would offer a good bet unless inflation stays very low. The index-linked gilt which matures in 1990, the closest match to the five-year life of the new National Savings certificate, will do better for the basic rate taxpayer if inflation averages over 3.1 per cent. The present rate is 2.5 per cent.

The 1988 gilt does even better. Break-even point against the index-linked certificate comes at 2.4 per cent inflation for the basic-rate taxpayer. For a 60 per cent taxpayer, inflation has only to exceed 0.4 per cent for the gilt to be a better buy.

With index-linked gilts, however, the inflation proofing is calculated using the RPI from eight months before the actual maturity date. For the 1988 gilt, this would mean that you would be unprotected if inflation should suddenly surge between August 1987 and March 30, 1988, when the gilt finally matures—and this could be in the heart of an election campaign.

Index-linked securities are in some ways most closely comparable with shares and property, because the returns on these investments may also be expected to be related to inflation.

Because the return on shares are usually more volatile, a risk premium is usually expected for them, sometimes expressed by the "real yield gap." This is the difference between the yield on the FT Actuaries share index, an average of quoted company share yields, and the yield on index-linked gilts.

"Although calculating what such a risk premium should be is not easy, a level of 1 per cent seems to be a reasonable guess and has some theoretical justification," says Dr Richard Golding of stockbroker Kleinwort Grieveson.

"The reasoning is that on a long term historical perspective, equities have tended to return just over 4 per cent real. Looking back to the real returns on yields on nominal gilts in past periods when there was not much inflation, one finds that 3 per cent or just over was a typical yield. Therefore, 1 per cent does historically seem to have been a typical risk premium before recent high levels of inflation confused matters."

The real yield gap is now running at around 0.5 per cent—and it was negative for a short time earlier this year.

Dr Golding points out, however, that index-linked gilts, unlike equities, do not participate in the growth of the economy; and he concludes that at present levels they can be regarded only as fairly valued—neither outstandingly cheap nor widely dear.

For one group of investors, though, index-linked gilts represent excellent value. Higher-rate taxpayers, benefiting from the fact that the inflation-proofed capital gain on their gilts is tax-free, can lock in a superior return on index-linked gilts even if they think inflation is going to remain lower than today.

George Graham

BREAK-EVEN INFLATION RATES (%) FOR INDEX-LINKED GILTS AGAINST NATIONAL SAVINGS 4TH ISSUE CERTIFICATES

	Non-taxpayer	Basic rate taxpayer	Top rate taxpayer
IL 2% 1988	5.9	2.4	0.4
IL 2% 1990	6.1	3.1	2.1
IL 2% 1996	6.2	3.3	1.5
IL 2½% 2011......	5.9	4.0	2.6

Source: Capel-Cure Myers

IN THE NEWS

Offshore fund of funds

THE Midland Bank, through its Jersey subsidiary, is launching on August 4 an offshore "fund of funds" aimed at expatriates, working or living outside the UK. The Offshore Managed Portfolio will invest in a selection of 10 Midland Bank unit trusts and offshore fixed interest and bond funds. The selection of the funds used will be varied by the managers to reflect changing conditions in the world markets and there will be no charge for such switching. However the prime objective of the Portfolio will be for capital growth, with all income rolled up in the share price.

Investors overseas returning to the UK will have the option of a free transfer into the Midland's managed portfolio unit trust. Transferring in this way to the UK "sister" fund could benefit anyone liable to capital gains tax. In effect, you are taking the gain made, and tax liability on it, out before returning to Britain and becoming subject again to UK tax. The minimum investment is £1,000 or £50 a month under a regular savings scheme. There is an initial front load charge of 5 per cent and an annual management fee of up to 1 per cent of the share value.

The initial fixed price offer of £1 per share is available from August 4 to 18.

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A five year high income bond has been introduced by the Anglia Building Society. The Bond pays a guaranteed 2 per cent extra interest above the Society's share account rate, plus an additional bonus that will vary according to market conditions — presumably dependent on the Society's current cash flow.

The additional bonus has been fixed at 0.6 per cent initially, so the Bond is currently offering a return of 7.85 per cent (11.06 per cent gross) or a compounded annual rate of 8 per cent (11.27 gross). Interest is paid half-yearly or on a monthly basis. Minimum investment is £1,000 and you have to give 90 days' notice of withdrawal or you lose 90 days' interest on the amount withdrawn. The minimum amount that can be withdrawn is £250, provided that a £1,000 balance remains.

Meanwhile increased interest rates were announced by another two building societies effective from August 1. Yorkshire Building Society is lifting its Platinum Key account rates to 8.25 per cent (against 8.1 previously) for investors with £10,000 or more, and 8 per cent (7.8) for balances below £10,000.

Eastbourne Mutual Society is to pay 8.25 per cent on its Sovereign Share Account, but the minimum balance required is only £500.

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Cheltenham & Gloucester claims it is still the best bet for large investors, offering 8.35 per cent compounded annual rate (8.05 net) on its premier monthly income account with a minimum of £10,000. No withdrawals can be made in the first six months of opening the account, but thereafter they can be made without notice

Premium Life Assurance has increased by 0.6 per cent the rate of return payable on its 3 to 5 year guaranteed income bonds. The new rate is 7.7 net of basic rate tax, on a minimum investment of £1,000. If you want a monthly income you will receive 7.5 per cent net, on a minimum investment of £10,000.

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Another bid to woo back investors to building societies comes from Abbey National. From Monday "for a limited period only" the society is offering a gilt-edged bondshare, which pays 3.25 per cent extra over the variable share rate for a guaranteed period of two years. The current share rate is 5.25 per cent, so at the moment investors will receive 8.50 per cent net, equivalent to 11.97 per cent gross for basic rate taxpayers. The amount payable, however, will fluctuate in accordance with movements in the share rate—the only guarantee is that you will receive a generous 3.25 per cent above that rate.

Minimum investment in the bondshare is £25,000. It will not be possible to add to the initial investment but partial withdrawals will be permitted provided a minimum balance of £25,000 is retained in the account. At the same time 90 days notice of withdrawals is required.

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Barclays Bank has launched a fixed, and floating, rate long-term lending scheme aimed primarily at small and medium-sized businesses. Flexible Businessloan, as it is called, will provide loans of over £15,000 for up to 20 years for any business need. It is an extension of the Standard Businessloan scheme introduced last November which provides fixed-term lending of up to £15,000 over one to five years. Under the new scheme, business customers will be able to borrow for longer periods with the choice of either a fixed interest rate or one linked to base rate or Libor (London interbank offered rate).

John Edwards

Virtue rewarded

Ethical investment, once dismissed as crankish, is now profitable and increasingly attractive, reports Eric Short

A NEW BREED of investors is about to appear in the UK, according to economist Giles Chitty, chief executive of The Financial Initiative—the institution which channels venture capital into new socially desirable industries.

These investors are not just concerned with the return on their investment. They want to know where the money is invested and where the return comes from—tha so-called ethical investment.

Until recently, such investors were regarded by the market as slightly eccentric and ignored by the more serious investors.

However, according to a report by Chitty, socially screened investment is now big business in the US—some $50bn or five per cent of all stock traded on Wall Street.

His report concludes that the demand for ethical investment funds and services is about to take off in the UK, boosted by the implications of the Chernobyl nuclear disaster.

People's requirements for ethical investments come in a variety of forms—political (no investments in South Africa), environmental (no investments in companies polluting the environment) or moral (no investments in arms, tobacco or alcohol).

However, investors now seem to be moving from these negative criteria to a more positive approach in encouraging or even demanding that their investment in companies is used towards specific purposes, such as conservation.

The argument put forward against any form of ethical investment was that restricting the choice of the investment manager would invariably result in poor returns. This myth has been laid to rest by Friends' Provident Life Office, its unit trust subsidiary being pioneers in the field of ethical investment with the launch in June 1984 of the Stewardship Unit Trust.

This fund has consistently outperformed the FT-Actuaries All Share index since inception, rising 32.2 per cent in the 12 months to May 1 1986 against a 31.2 per cent rise in the index. To Friends' Provident's slight embarrassment this fund has done better over the period than its Equity trust.

Ethical funds are not likely to lead the performance tables because of the restrictive market. Neither are the main unit trust management groups likely to rush into this new area unless there is an overwhelming demand, not because of investment attitudes, but because the costs of checking that stocks meet the ethical requirements are significantly high.

Fund managers can relieve themselves of this chore by using EIRIS—Ethical Investment Research and Information Service. This body has for many years provided a service for checking out companies and stocks according to criteria laid down by the client. But it is time-consuming work.

Nevertheless, the Stewardship Fund had by the end of last month reached £22m with a steady flow of new money coming in.

But now investors have a choice of funds.

Last week, Buckmaster and Moore, the stockbroking subsidiary of Credit Suisse, launched the Fellowship Trust—an authorised unit trust. Also last week, financial counsellors D. J. Bromige and Partners launched its Ethical Investment Fund—a single premium bond underwritten by Royal Heritage Life Assurance (formerly Lloyd's Life Assurance), a member of Royal Insurance Group.

Investors going into ethical investments will find that very few of the major multinational companies pass the screening test. The largest companies in the Ethical Investment Fund are British Telecom and Britoil. After that the fund is investing in stocks such as Clifford Dairies, HTV, Austin Reed and Sunlight Services.

Thus, ethical investment means investment in medium and small companies and is at present confined to the UK. However, since this subject is far more advanced in the US, there is no shortage of information should fund managers wish to extend ethical investment there.

Trade unions have been making considerable noises about pension funds investing ethically. Yet the response to the pension fund version of the Stewardship Fund has been disappointing — only £2.5m to date.

Trustees may well feel that the McGarry judgment on the Mineworkers' pension fund may inhibit them in this field. Friends' Provident has taken counsel's opinion on this judgment.

The view given was that the judgment only prevented trustees from going into investment areas that they knew would underperform. Friends' Provident has demonstrated that ethical investment does not mean underperformance. So perhaps more pension scheme trustees will become interested.

The boiler room bust

Dutch police have cracked down on the share scandal that netted millions, writes Clive Wolman

THE MANY thousands of investors in the UK and elsewhere who have been lured by Dutch-based telephone salesmen into buying speculative shares of doubtful or negligible value at inflated prices now have little prospect of retrieving their money.

In May, the Dutch police raided the offices of many of the "boiler rooms," as the share-pushing companies are called, and seized documents. The companies have been set up over the past three to five years, mainly by Canadians and some with criminal backgrounds.

At the same time, the Dutch authorities have introduced new regulations for securities firms requiring them to obtain licences. Firms that intend to continue operating had to submit applications for licences by the start of this month. Applications have been received from about 25 including First Commerce Securities, the largest of all the boiler rooms. It has taken an estimated $300m (£200m) over the past three years from the public by selling shares in DeVoe-Holbein, a Canadian company that claims to have developed a metal extraction process but which has yet to show any profits.

Over the past three years, many investors have said that they have been frustrated by a series of excuses when they have tried to sell their shares in DeVoe Holbein back to First Commerce Securities, which has been the only market-maker in the shares for most of the time. Telexes and letters giving instructions to sell have supposedly been lost. And when callers, brushing aside the arguments of the First Commerce salesmen, have insisted that their shares should be sold, they are told that the market has dried up or find that the price quoted by First Commerce has suddenly dropped dramatically.

Since the police raids early in May, more investors have tried to sell their shares back to First Commerce and more have been frustrated.

As far as they are concerned, their best hope must be that First Commerce will be granted a licence and submit itself to what ought to be a tougher regulatory regime. It may then find it more difficult to adopt evasive tactics when asked to buy back the shares it originally sold to investors.

However, as the shares were sold at prices many times in excess of any realistic value, their "sell-back" prices are likely to represent a substantial loss for the shareholders.

A more likely result is that First Commerce and its fellow applicants will be refused licences. They will then either shut shop or decamp to another country where the regulations remain lax.

One possibility is Spain. Madrid already plays host to a few boiler room operations of North American origin that have been set up recently. Another possibility is Luxembourg, which also has the attraction of a stock exchange with listing requirements that are less stringent than in many other European countries.

In that situation, former investment clients may find it impossible to sell back their shares, or to recover any of their money, unless the underlying companies start making substantial profits as predicted. And that is a remote prospect.

Tha only other hope is that some of the bank accounts of the boiler room companies that are in the Netherlands will be frozen—and all the money distributed among their victims. Even then, the amounts available may be small compared with the losses. Most of the money will have been transferred to other banks outside Europe, and probably then onto money laundering centres.

Some boiler room operations have already shut down and disappeared. Their offices in Amsterdam are locked up and no one answers the telephone. The largest of the deserters is Capital Venture Consultants, the promoter of shares at massively inflated prices in Portinax, subsequently renamed Federal Ventures.

The company has invested in several speculative ventures which have yet to show a profit and is managed by David Winchell, a convicted Canadian fraudster now living in *Miami*.

Two other companies that have failed to apply for a licence and have shut up shop are Tower Securities, which promoted the shares of Gold Seekers International, a Canadian mining company, and European Computer Group; and United Consultants, the promoter of shares in a UK company, Colt Computers.

Unit trusts adding up

Unit trusts are doing record business, even though returns can be erratic and insecure. John Edwards reports

THE UNIT Trust Association this week reported record new business for the second quarter of 1986, with the inflow of funds in May and June exceeding net receipts by building societies for the first time.

The table shows why unit trusts have become so popular at the expense of building society and bank deposit accounts, although to be fair they are based on standard deposit accounts and not the special higher interest accounts that have become available in recent years. The security factor is also not taken into account. As has been illustrated vividly in recent weeks, share markets worldwide can be extremely volatile on occasions, and indeed during the past five years you would have done better in the safe investment havens provided by banks and building societies than to have put your money into Australian or commodity and energy unit trusts.

The decline in the average return from Europe trusts from 15 to 10 years is a statistical freak in that only one European fund was available 15 years ago and its performance was somewhat erratic. The figures are supposed to be based on the performance of a median (average) unit trust and are inevitably somewhat distorted when there were only a few funds available—such as 15 years ago with Japan.

The performance of unit trusts, of course, depends ultimately on the state of the stock markets. It is relatively easy to achieve a good return when share prices are going up and there may be a very different story if the long predicted worldwide recession materialises.

At the moment, however, the consensus view among investment advisers is that the recent falls in various leading stock markets, including London, are temporary hiccups rather than any fundamental change of direction.

John Greener, of Richards Longstaff, said they were by no means apprehensive. They didn't rely on market indices as a guide, but were more concerned with yield, trade and growth prospects. They had shifted a little out of the US into the Far Eastern markets and also reduced UK holdings slightly. Their specimen fund was also a bit more liquid, with 12 per cent cash instead of the normal 5 per cent in cash. But they were not disinvesting, simply watching developments closely.

Stephen Lansdowne, of Hargreaves Lansdowne, said they were being a bit more cautious, taking some profits on stock market gains and increasing their exposure in international bonds, through for example the Abbey Worldwide Bond Fund.

Internationally Japan remained a bright spot and was likely to continue rising in spite of the recent setback, which was bound to occur after the big increase in values.

On the UK market Mr Lansdowne said the key word was selectivity. The days of virtually picking shares by a pin, and still prospering, were over. However some companies were making a lot of money and corporate profits were set to rise by 15 per cent this year. With interest rates low, the possibility of tax cuts and government funding, the outlook looked good for after the summer months when the real investment season resumed again in October. Currently they were only 30 per cent invested in the UK and he was tempted to increase this proportion.

John Bridel of Towry Law said they were not dashing into cash, although they were a little more liquid than usual at present. An increase in their international investments had helped shelter them against the decline in value of the £ and the fall in Japan had been nowhere near as steep in sterling terms. The UK market was being confused by a mixture of oil and politics. But it was not the start of a downward spiral.

UNIT TRUST INVESTMENT PERFORMANCE

Average realisation value of £1,000, with net income reinvested

Investment group	5 years ago £	10 years £	15 years £
UK General	2,810	6,393	7,710
UK Growth	2,529	6,253	7,468
UK Equity Income	3,022	6,382	9,268
Mixed Income	2,389	5,069	7,223
Gilt/Fixed Interest Income	1,764	2,864	4,242
International	2,099	4,541	5,768
North America	2,023	3,730	4,799
Europe	3,432	7,301	6,351
Australia	689	1,573	2,796
Japan	3,240	6,659	12,920
Far East	1,632	3,805	
Commodity/Energy	856	2,736	4,144
Financial/Property	2,544	6,603	7,355
FT All-Share Index	3,021	7,610	8,327
Bank Deposit	1,329	1,805	2,241
Building Societies	1,447	2,143	2,939
National Savings Certificates	1,540	2,333	3,329

Source: Unit Trust Association.

Playing the gold card

Margaret Hughes reports on developments in the credit card field, and examines their interest advantages

ONE OF the attractions of acquiring a gold card is the automatic overdraft at a favourable rate of interest that goes with it. Cardmembers have been able to draw on up to £7,500, on which they are charged 2.5 per cent above base rates. Newcomers National Westminster Bank and its up-market subsidiary, Coutts, recently offered a higher £10,000 limit which others are expected to follow.

At present base rate levels, the overdraft rate is 12.5 per cent. This is considerably cheaper than conventional overdraft rate—now anything over 24 per cent for those that are unauthorised and between 3 to 7 per cent over basa rates, where they are authorised. Gold card loans are also cheaper than personal loan rates-between 19.5 and 19.7 per cent-despite the major clearers having recently eased their rates.

In launching their gold cards, NatWest and Coutts have gone one further by offering cardholders the option of converting their overdraft to a loan at the same rate of interest. Neither American Express with its gold card, Barclaycard with its Premier card, or Midland Bank with its Mastercard gold card, offer this facility.

For the cardholder, this option is a major plus. Gold Card overdrafts are intended as short-term revolving credit facilities where you can borrow up to the limit for, say, "stagging" share issues and other short-term outlays where the borrower knows he is going to be able to repay fairly quickly. The ability to convert this automatic overdraft into a fully blown loan adds a new dimension.

To some extent, your ability to convert will be a matter for negotiation between you and your bank manager, and will depend on the nature of your debt and your ability to repay. In the case of NatWest, this will be the bank manager with whom you operate a current account linked to your gold card. As far as Coutts is concerned, its gold card is available only to its existing customers.

Theoretically, at least, you could convert your £10,000 overdraft into a loan which you might repay over five years or, if you have a NatWest card, possibly 10. Unlike a personal loan, where the rate is fixed at the onset, the interest charged on your gold card loan will clearly move in line with the base rates to which it is linked.

Assuming, however, that rates stay at their present level, you would be charged 12.5 per cent at an APR of 13.1 per cent. Thus, every £1,000 you raised as a loan would cost you £22.43 a month to repay over five years, or £14.56 monthly if you repaid over 10 years. This means that your monthly repayment on say, an £8,000 loan would be £179.45 if you repaid over five years, and £116.50 over 10 years.

This compares with monthly repayments on a personal loan (where the present fixed rate is 10.05 per cent at an APR of 19.6 per cent) of £25.41 for every £1,000 you borrow over five years, and £17.08 for every £1,000 borrowed over 10 years. On an £8,000 personal loan monthly repayments would thus be £203.34 over five years and £136.66 over 10 years.

This means that if you used your gold card loan facility, you would save something over £20 a month in repayments.

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Eric Short predicts a bonanza for home-buyers

Spoilt for choice

HOUSE-BUYERS are going to be spoilt for choice when it comes to getting a mortgage, despite indications of a return to queues with certain building societies.

This is the inevitable conclusion to be drawn from the views expressed by speakers at a recent conference, organised by the Institute for International Research, on marketing of mortgages.

The conference was concerned mainly with the commercial priorities facing various operators in the mortgage field, with only one or two speakers actually talking directly about how the likely developments would affect consumers. But their views on the coming changes in the mortgage market gave a very clear insight on the future for house-buyers—and a mixed future it is likely to be.

First, there was widespread agreement that the number of institutions offering mortgages would initially increase further from an already high level. In addition to the building societies, the traditional specialists, other institutions such as the clearing banks, merchant banks, life companies and specialist mortgage finance houses would all be competing keenly.

Second, there was similar agreement that mortgage providers would increasingly rely on the "wholesale" market for the finance to support their advances. The cost to them of this money would be linked closely to money market rates such as Libor (London Inter-Bank Offered Rate).

The practical consequence of this second trend would be that the days of the traditional mortgage loan, with interest rates varying infrequently according to the decision of a cartel of lenders, were numbered. Instead, interest rates in many cases would vary much more often in line with money market fluctuations, and the scope for competition on rates would be limited.

Paradoxically, however, developments in mortgage funding — even into sophisticated areas such as futures contracts — would at the same time open up new opportunities for fixed-rate loans.

The proliferation of operators in the mortgage field would mean that competition, already keen, would become even tougher. But since they would not find it easy to compete on price, lenders would instead have to compete on the variety of products offered, giving house-buyers a wider choice in the type and style of mortgages and in provision of services such as guaranteed acceptances.

Already we are seeing a number of variable-rate contracts and experiments in low-start mortgages, the latter being an area where product design could well be extended. Then there are the fixed-rate loans. Hence the conclusion that house-buyers in the future will be spoilt for choice. But it is not going to end there.

Various speakers emphasised that the keen competition between mortgage providers meant there would be very little margin for them on the lending. Their profits would come from what is termed the "cross selling" of other products. To put it crudely, house-buyers would come under sales pressure to take other products along with the mortgage.

This is already becoming evident, with building societies heavily marketing (to both new and existing borrowers) the endowment method of repaying mortgages—primarily to earn the commission on the life policies sold. The straight repayment mortgage could become a relic of the past.

Mortgage lenders could step up the marketing pressure, concentrating not only on endowment mortgages but also on house insurance and other insurance products. The next step would be to extend the operations to personal lending, generally using the house as security.

In this respect, some speakers saw tremendous potential in the growth of pension mortgages. These are contracts that use part of the benefits of pension plans to repay mortgages—with the marketing emphasis being increasingly concentrated on employees rather than the self-employed. Speakers foresaw it as inevitable that people would come to regard their pension savings as suitable for use to buy homes.

The pressure on profit margins would also mean that delays in the house-buying processes could be costly. This factor, together with competition, would mean that any mortgage package would have to offer a chain-breaking facility. In a year or two, it was predicted, this novel feature now appearing on the market would be commonplace.

House-buyers of the future could not only find a much more varied, complex choice of mortgage packages available to them—they could also discover that the local estate agency office was disappearing, although views on this subject were somewhat speculative.

It was argued that the mortgage providers, to ensure success, needed to control the distribution outlets. Some speakers predicted that the move by certain institutions to buy up nationwide estate agency chains would spread rapidly. Some even went so far as to forecast that estate agents' offices, often with prime high street locations, could become one-stop financial service shops dealing with unit trusts and motor insurance in addition to houses.

Stuart Chappell explains how charity can start at home

Earn as you give

GIVING TO charity, and increasing your income at the same time, seems an unlikely combination. But it is possible for high rate taxpayers by a little bit of careful planning.

If you have a genuine desire to leave a legacy to your favourite charity, there is a better way of doing it than simply naming a sum in your will. Both you, and the charity, can benefit if you act earlier and give the money in a different manner.

Assume you wish to give £20,000 to a particular charity, or charities, by a legacy under your will. Assume also that you pay tax at 50 per cent on the top slice of your income. If you wait until you die, the charity will benefit from the cash legacy and your estate will get inheritance tax relief on the amount of the gift.

However, you could covenant to pay the charity £5,000 per annum over the next four years. The Finance Act 1985 increased the limit on higher-rate income tax relief for charitable covenants from £5,000 to £10,000 gross and the 1986 Finance Bill proposed to abolish this "ceiling" altogether. There is a proviso, however, that such a charitable covenant must be capable of exceeding three years.

So when you pay the first yearly instalment of £5,000 the charity is treated by the Inland Revenue as having received £7,042 as you are entitled to retain 29 per cent of each payment against your own tax liability.

The charity is able to recover the £2,042 you have deducted. However, provided you pay tax at 29 per cent then the tax you have "deducted" from the charitable covenant will not have to be paid over to the Revenue.

If you pay tax at a higher rate you will be able to claim tax relief on the full £7,042. Assuming you are a 50 per cent taxpayer you would be entitled to claim from the Revenue a further £1,478—that is the additional 21 per cent (50 minus 29) on the £7,042 you are deemed to have given to the charity.

You have given £5,000 in capital away, but consider the effect on your income. If you put the £5,000 on deposit with a building society, for example, yielding a net 7 per cent annually, by the time you have paid 50 per cent income tax on the interest you will only actually receive £246 a year. Against this you will receive £1,478 in respect of tax relief because of the charitable covenant.

In the second, third and fourth years of the covenant you will lose an increasing amount of income, as the capital sum you would have invested rises to £20,000, but even then the tax relief received continues to far exceed the amount of loss of investment income—as illustrated by the table.

Over the four-year period your spendable income will be £3,452 higher altogether and in fact it will take a further three and a half years before the net income loss (from not investing the £20,000) finally outweighs the amount received in tax relief. Meanwhile the charity will have benefited to the tune of £8,168 in tax reclaimed over the four year period (four times £2,042) in addition to the £20,000 originally bequeathed to it. Not a bad result, especially as the £20,000 you have given away will also obviously reduce the amount of inheritance tax your heirs will be liable to pay on your estate.

Example			
Charitable covenant	7,042		
Less tax relief at 29%	2,042		
Net amount payable	£5,000	4x=	20,000
Income of charity	5,000		
Plus tax repayment	2,042		
Charity actually receives	£7,042	x4=	28,168
Charity benefits by			£8,168

	Year 1	Year 2	Year 3	Year 4
Loss of Income— 5,000 x 4.92%	246			
—10,000 x 4.92%		492		
—15,000 x 4.92%			738	
—20,000 x 4.92%				984
Higher-rate income tax relief —7,042 x 21% (50%—29%)	1,478	1,478	1,478	1,478
Increase in spendable income	£1,232	£986	£740	£494

Mutual disagreement

TO WHOM does a life assurance company belong? If it is a public quoted company, like the Prudential, then it is owned by shareholders who receive copies of annual reports and accounts and details of the annual general meeting, and who can vote at the AGM for or against the re-election of the company's directors.

However, if the life assurance company is a mutual one, then it is owned by its policyholders. The very word "mutual" seems to imply that the company is run entirely for the policyholders' mutual benefit. Yet such policyholders may never be sent copies of their company's report. They may never be directly informed of the AGM and so may never vote for or against the re-election of directors. Indeed, their company may do all sorts of things they never find out about!

My wife and I have life assurance policies with a number of companies: most of them mutual companies. The main reason we prefer mutual companies is that, theoretically, all the profits made by mutual companies are used to increase the benefits of policyholders, whereas public quoted companies obviously have to distribute a large part of their profits to their ordinary shareholders.

Two of my policies are with the mutual company Friends' Provident. One policy was taken out in 1970 and the other in 1977. Apart from an annual bonus report I have received no other regular communication from Friends' Provident regarding the company itself which (as a policyholder) I part-own.

On May 8 I read in the Financial Times: "The policyholders of Friends' Provident yesterday approved the action of its board in the rescue of UK Provident." I was amazed. Like many other Friends' Provident policyholders I had received no details whatsoever regarding this important matter — let alone been asked to approve it.

I therefore wrote to Friends' Provident. Frederick Cotton, the chief general manager, promptly replied. He confirmed that every policyholder "has one vote irrespective of the number of policies he holds."

The annual general meeting on May 7, 1986 had been advertised on April 15 in the Guardian and the Financial Times. The advertisement was easy to miss, being only one column in width and about five inches in length. It did not refer to the UKPI "rescue."

Investor's Tale

Unhelpful policies can cause old Friends to fall out, says Kevin Goldstein-Jackson

In my letter to Friends' Provident I pointed out that other mutual companies with which I have policies (such as London Life and Equitable Life) performed at least as well — if not better — than Friends' Provident. They have always sent me a copy of their annual report and accounts and notice of the date and details of their annual general meetings.

Mr Cotton replied: "To date we have decided against that course on the grounds of cost. We are, of course, a mutual office and very conscious that any expense is a charge on policyholders' funds." However, he stated that they would "reconsider the position for the annual general meeting next year."

I had also discovered that although I had taken out my two policies with Friends' Provident direct and not gone to them via a broker, the company had still put the policies through a broker.

Mr Cotton responded that London Life and Equitable were like Friends' Provident, mutual companies "but there the similarity ends. Both these companies sell their products through their own direct sales people and do not pay commission to insurance brokers and intermediaries. This does mean that their customers are direct customers of the office which, in a sense, gives them both the right and the need to communicate directly with policyholders more frequently. As a prominent broker/intermediary office we are careful to respect that our policyholders are normally, in the first instance, clients of the insurance broker who may be using several life offices to programme their financial needs."

He also stated: "In pricing our contracts, we do assume that introductory commission will be paid to an agent and our branch managers do have some discretion, if they have direct business, to allocate it to a broker to help in the development of business from that account. The system works well and our new business unit costs are among the lowest in the industry."

I still think it is odd to pay commission to a broker for doing nothing. Not sending the owners of the company a copy of the annual report and details of the AGM is also not very helpful.

Mr Cotton has promised to carefully review the situation. I very much hope that Friends' Provident and any similarly uncommunicative mutual companies will decide to change their practices soon. Or perhaps there should be legislation to force such companies to provide their owners/policyholders with at least the same level of information as a normal non-mutual company would automatically send shareholders.

Legal Notices

No. 004171 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
IGI INSURANCE COMPANY LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 7th July 1986 confirming the reduction of capital from £1,523,200 to £1,210,700 and the reduction of the Share Premium Account of the Company from £230,978 to £113,005 of the above-named Company and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the abovementioned Act were registered by the Registrar of Companies on 15th July 1986.

Dated 18th July 1986.
CLIFFORD-TURNER,
Blackfriars House,
19 New Bridge Street,
London EC4V 6BY.
Solicitors for the Company.

No. 004075 of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division
IN THE MATTER OF
BARDSEY PUBLIC LIMITED COMPANY
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice dated 7th July 1986 confirming the reduction of the capital of the above-named company from £10,500,000 to £6,562,500 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the abovementioned Act was registered by the Registrar of Companies on 11th July 1986.

Dated 18th July 1986.
CLIFFORD-TURNER,
Blackfriars House,
19 New Bridge Street,
London EC4V 6BY.
Solicitors for the Company.

Clubs

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• FINANCE & THE FAMILY •

Doubly taxing

Donald Elkin on overseas investments

AS THE Chancellor of the Exchequer reminded us in his Budget, Britain's overseas assets have increased seven-fold since 1979 to a record £80bn. While much of this is corporate and institutional investment, direct holdings overseas by individuals have no doubt increased in like proportion. Such investors will probably find that their income and, (less frequently) their capital gains will be taxed not only in Britain, but in the overseas country too, a situation already familiar to those in receipt of overseas rents, trust income and so on.

This problem is by no means new. In an endeavour to overcome the inequities which would otherwise occur, successive British governments have negotiated no fewer than 86 fully comprehensive double taxation treaties—the first being concluded with Switzerland in 1931.

Modern agreements overcome the problem of simultaneous residence in more than one country, by deeming the individual to be a resident of just one of them. They also provide for relief of various types, some classes of income being taxable only in the country of residence (eg interest) and others only in the country where the income arises (eg government remuneration).

But even where a double taxation agreement is in force, some sources of income, like dividends and rents, may be taxed in both countries although, in the case of dividends, tax charged by the source country is usually subject to a limitation. In such circumstances, double taxation will not have been eliminated as is also the case if the income or gains arise in a country with which the UK has no double taxation agreement. Relief is then given by reduction of the British tax payable.

Generally, only British residents are entitled to this treatment although, exceptionally, residents of the Channel Islands and Isle of Man can benefit too. Furthermore, relief is only available in respect of overseas direct taxes suffered by the individual on income or gains which are also taxable in the UK.

Naturally, there is a limit to the total reduction of tax allowed in any particular case. In broad terms, the rules require that relief for foreign tax must not exceed the British tax payable on the income or capital gains concerned; the foreign source being treated for this purpose as the top slice of the total income or gains. The example in the table relating to Mr Brown, a UK resident, highlights the salient points.

Clearly, when treated as the top slice of the income, the foreign letting profits have suffered UK tax of 29 per cent and since the overseas tax is only at a rate of 20 per cent, relief for the full foreign tax of £800 will be due, reducing the British tax bill to £3,650. If, on the other hand, the foreign tax had been £1,600 (i.e. 40 per cent), the relief would have been restricted to £4,000 at 29 per cent = £1,160. Importantly, even though Mr Brown would only have received £3,200 (or £2,400) after paying his foreign tax, the full gross amount of £4,000 is taxable in the UK, whether or not relief is available for all of the overseas liability.

As indicated, individuals can claim double taxation relief only in respect of direct taxes paid overseas. But the position is sometimes not what it seems as Mr Green, a shareholder in a Malaysian company found to his cost. He received a dividend for M$600, accompanied by a certificate to the effect that the gross dividend was M$1,000 and that M$400 Malaysian tax had been deducted and paid to the authorities.

Nevertheless, his claim for relief in respect of the M$400 was refused because, under the local tax system, the company pays income tax on all of its profits, the recipient of the dividend being given credit for the appropriate amount of that tax. But the definition of a direct tax is one that neither the individual nor the company would have suffered had the dividend not been paid and the fact is, that the company would have had to pay that tax on its profits regardless of any dividend payment. Consequently, Mr Green will have to accept assessment on the sterling equivalent of M$600 without the benefit of any double taxation relief.

British salary	£15,000
Foreign letting profits	£4,000
(foreign tax £800)	
	£19,000
Less personal allowance	£3,655
	£15,345
Tax on £15,345 @ 29 per cent	£4,450

Seven-year hitch

In 1979 I took out an insurance policy in order to provide a capital sum to offset death duties on the joint estate of my wife and myself. I did this on the suggestion of my bank manager and the business was carried out by the bank's insurance services subsidiary. Because most of my career was spent overseas, all of my securities documents were held by the bank, and once the terms were finally agreed I assumed that the policy would be deposited by the bank with my other securities. Last year I retired and decided to change my bank. I asked that the securities holdings be transferred and discovered that the insurance policy—and only that—was missing. It could not be traced and the bank agreed to obtain a duplicate from the insurance company.

Several months later, after many telephone calls and the filling in of forms, I received a policy. This, however, was not a copy of the original policy. It was an entirely new policy, dated in 1986, examination of which indicates that not only does it not satisfy the conditions originally agreed but it also ignores benefits and bonuses enjoyed on a policy entered into seven years ago. What is even more disturbing is a statement that the original policy was surrendered by virtue of a form of indemnity signed by me. The only indemnity I signed was—I understood—to protect the insurance company against a double claim on the original policy. I am convinced that either the original policy was never finalised or that the insurance company sees the loss as an opportunity for doing a more favourable deal. I consider that for seven years I have been paying premiums under false pretences.

The history which you set out is very disturbing. You should require your bank manager to give a full explanation of what happened and how a new (and different) policy came to be issued. At the same time you should seek an explanation from the insurance company. There are now "ombudsman" services available for both insurance and banking, and it may be that you will have to pursue the matter there if the companies themselves do not satisfy you.

Allowance for age

The combined income of my wife and myself (both over 65) exceeds £9,400 a year with the building society interest grossed up, so that we do not get the age allowance.

Is it possible to switch the building society or other investments (eg, to National Savings Certificates) where the interest is not included in arriving at the investment income figure for age allowance purposes and are there any snags in the switch?

Also for age allowance purposes is the whole or both our state pensions included in arriving at the income?

First question: Yes. The only significant point to watch is that you do not make the switch so late in the tax year that you receive more than 12 months' building society interest in the tax year.

Second question: No: for the current tax year (only), clause 52 of the Finance Bill (which was originally clause 46) exempts the general increases which have just taken effect. The Christmas bonus is also exempt, every year.

Titles and tenure

In Scotland, if a landlord leases office/shop premises for 20 or 3 years does the commercial tenant have any security of tenure at expiry of the lease if landlord wishes repossession for his own business use?

I wish to give a series of seminars under a specific title. Can I register this title as a trade mark or copyright so that no one else can use it. Would it be expensive?

Under Scots law there is no equivalent statutory provision with regard to security of tenure for tenants of commercial property. No protection exists other than a contractual obligation with regard to an option to renew or extend. There is a limited security granted by the Tenancy of Shops (Scotland) Act 1949. The protection thereunder however is limited and should not be relied upon in the situation stated by you. If the Landlord requires the shop for his own use it may well be that the Sheriff will refuse an application for an extension on the basis that in the circumstances of the case greater hardship would be caused by allowing an extension than if it was refused.

On the second question it is not possible to answer with certainty in view of the fact that you have not let us know the specific title. It is unlikely however that copyright protection would extend to a title unless it was of sufficient length and originality. In the event of the title being protected by copyright no registration would be required for protection.

The title may be registrable as a trade mark and you should contact registration and patent agents either in Glasgow or London who would be able to advise you as to whether the mark would be capable of registration and the cost of that registration.

If the mark was neither registered as a trade mark nor protected by copyright it is possible that you could prevent someone else using it by raising an action for Passing Off. Such an action would only be available to you in the event of someone else using the same or a similar title with a view to representing their seminars as yours.

BRIEFCASE

Points at issue

I own a small property with an unfenced front garden. During the past 18 years, roses and other thorny plants have been cultivated adjacent to the public footway which immediately adjoins the garden. Have I any legal responsibility if someone should be damaged by such a plant and should I take out an insurance policy to cover such a contingency?

Also, I have a rear enclosed garden with a flank wall adjoining a public footway. I would like to remove this wall, but if I carried out this work it would place established thorny plants next to the footway. I wonder what are the legal implications of this proposal?

If your plants do not encroach upon the footway you would not incur liability. You would be wise to ensure that the plants are trimmed back so as not to make any encroachment, although insurance against liability to users of the footpath might be a cheaper solution.

When death do us part

My wife and I have made wills in each other's favour. If I predecease her my estate will pass to her free of CTT and vice versa.

But if she died a week or so after my death without making a will would half the estate go to our son and half to her sister and brother. Conversely, if she predeceases me and I failed to make a will and died intestate would the estate be divided between our son and my brother and sister.

Our object is to ensure that the estate passes intact on our deaths to our son.

In each case the entire estate would pass to your son if he survives both of you and the survivor of you and your wife were to die intestate.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

The Investment Trust Table

The figures in the columns below are based on information supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures are unaudited.

Columns (1)–(6): as at close of business on Monday 21st July 1986. Columns (7)–(12): as at 30th June 1986.

Total Net Assets (1) £million	INVESTMENT POLICY Trust (2)	Management (3)	Share Price (4) pence	Yield (5) %	Net Asset Value (6) pence	Geographical Spread: UK (7) %	Nth. Amer. (8) %	Japan (9) %	Other (10) %	Gearing Factor (11) base=100	Total Return on N.A.V. over 5 years to 30.6.86 (12) base=100
	CAPITAL & INCOME GROWTH										
518	Alliance Trust	Independently managed	768	3.9	1017	37	49	9	5	94	296
130	Bankers	Touche, Remnant	117	3.3	150	40	33	14	13	106	320
376	British Investment	Independently managed	418	5.2	594	51	27	21	1	89	268
93	Brunner	Kleinwort Benson	91	3.6	129	51	35	4	10	102	273
153	Continental & Industrial	TAI Securities	850	3.7	888	61	31	2	6	98	274
613	Edinburgh Investment (w)	Dunedin Fund Managers	141	3.3	194	55	23	9	13	104	285
805	Foreign and Colonial	Foreign & Colonial	90	2.3	122	33	30	19	18	110	282
893	Globe	Electra House Group	112	4.7	154	68	20	9	3	102	262
353	Govett Strategic	John Govett	215	2.4	294	48	11	14	27	121	267
327	Philip Hill	Philip Hill	288	5.4	337	78	20	–	2	84	231
11	Jos Holdings	Kleinwort Benson	161	3.3	180	80	10	1	9	97	286
52	Keystone	Mercury Warburg Inv. Man.	253	3.1	334	55	25	11	9	107	†
106	Kleinwort Charter	Kleinwort Benson	93	3.7	132	64	20	10	6	97	273
8	Lancashire & London (q)	Finsbury Finance	143	7.1	189	96	4	–	–	71	†
34•	London & Strathclyde	Gartmore	167	2.4	223	63	31	5	1	101	255
53	Meldrum	Gartmore	220	3.6	262	90	6	4	–	93	316
122	Outwich	Baring Inv. Man.	163	3.0	226	59	15	18	8	98	259
99	River and Mercantile	River & Merc. Inv. Man.	167	5.1	202	55	36	3	6	94	279
50	River Plate & General (w) Δ	Tarbutt & Co.	246	4.9	298	77	14	–	9	96	234
47	S. & P. Ret. of Assets (w) Δ	Save & Prosper Group	127	3.7	163	53	17	–	–	139	†
25	Scottish & Mercantile (q)	Finsbury Finance	400	6.3	473	72	2	–	26	102	†
20	Scottish Cities (q)	Finsbury Finance	464	7.4	•610	98	2	–	–	70	†
551	Scottish Mortgage	Baillie, Gifford	510	2.4	662	45	22	18	15	110	316
269	Scottish National	Gartmore (Scotland)	288	2.5	360	54	28	13	5	105	261
172	Second Alliance	Independently managed	647	3.8	859	38	49	9	4	95	298
593	TR Industrial & General	Touche, Remnant	188	3.0	261	53	23	18	6	98	260
539	Witan (w)	Henderson	196	2.4	266	58	22	12	8	106	296
54	Yeoman (q)	Independently managed	350	4.4	406	82	13	2	3	99	293
	United Kingdom										
13	City of Oxford	Hambros Bank	270	4.2	318	99	1	–	–	99	279
43	Fleming Claverhouse	Robert Fleming	168	4.4	217	100	–	–	–	99	297
62	Shires (w)	Stanecastle Assets	207	6.7	217	75□	13□	4□	8	71	212
141	TR City of London	Touche, Remnant	109	5.1	138	89	11	–	–	101	320
112	Temple Bar	Guinness Mahon Inv. Man.	152	5.3	194	99	1	–	–	94	327
	CAPITAL GROWTH										
	General										
280	Anglo-American Securities	Morgan Grenfell	342	2.6	484	45	31	19	5	104	279
170	Atlantic Assets	Ivory & Sime	97	1.6	137	16	80	–	2	100	189
87	Electric & General	Henderson	352	1.8	476	52	28	12	8	99	302
34	Greenfriar (w)	Henderson	345	0.7	362	63	13	8	16	108	361
7	Personal Assets (q)	Ivory & Sime	38	1.3	47	35	65	–	–	86	†
	International										
108	Berry	GT Management	248	0.6	289	55	18	14	18	113	290
99	English & Scottish	Gartmore	89	2.2*	118	43	20	16	21	102	258
34	F & C Eurotrust	Foreign & Colonial	235	1.1	233	4	–	–	96	99	380
260	Fleming Overseas	Robert Fleming	137	2.8	195	6	54	15	25	100	269
115	Fleming Universal	Robert Fleming	385	1.5	523	10	56	13	21	96	256
66	Gartmore Inform. & Fin. (w)	Gartmore	53	3.0	68	63	37	–	–	110	214
74	General Funds (q)	City Financial	169	1.7	212	34	16	29	21	99	261
8	German Securities (w)	Liechtenstein (UK)	95	–	102	–	–	–	100	100	†
27	Group Investors (w)	C S Investments	297	2.3	318	44	50	3	3	96	251
158	Hambros (w)	Hambros Bank	180	3.6	250	52	35	6	7	108	223
61	'Investing in Success' (q)	City Financial	715	1.1	943	35	16	33	16	106	257
129	Kleinwort Overseas	Kleinwort Benson	121	3.0	159	10	46	15	29	97	265
18	London & Gartmore	Gartmore	320	0.8	334	28	18	–	54	97	214
12	Mid Wynd International	Baillie, Gifford	172	1.9	224	18	37	18	27	94	†
211	Monks	Baillie, Gifford	193	1.9	271	30	24	27	19	98	271
110	Murray Smaller Markets	Murray Johnstone	289	0.9*	346	20	5	13	67	99	307
14	Nordic Δ	GT Management	48	–	69	20□	–	–	80	111	†
87	North Atlantic Securities Δ	Morgan Grenfell	317	1.5	446	–	48	44	8	98	252
178	Northern American	Dunedin Fund Managers	362	2.1	489	18	32	24	26	104	284
34	Northern Securities	GT Management	212	2.0	264	65	16	8	11	110	249
128	Romney	Lazard Brothers	327	2.2	414	14	44	25	17	96	257
329	Scottish Eastern	Martin Currie Inv. Man.	108	2.6	148	50	18	18	14	109	268
434	Scottish Investment Trust	Independently managed	350	2.5	457	37	33	16	14	99	252
92	Trans-Oceanic	Schroder Inv. Man.	198	2.8	251	42	35	14	9	91	239
94	Tribune	Baring Inv. Man.	128	3.1	153	47	21	18	14	86	274
269	U.S. Debenture Corp.	GT Management	264	3.5	345	58	20	14	8	106	263
	North America										
149	American	Edinburgh Fund Mgrs.	127	3.5*	175	21	79	–	–	99	221
156	Edinburgh Amer. Assets	Ivory & Sime	103	0.8	148	19	70	2	9	112	236
144	Fleming American	Robert Fleming	526	1.6	679	1	99	–	–	94	240
35	Gartmore American Secs.	Gartmore	130	1.4	175	17	76	4	3	111	304
152Ø	Govett Atlantic	John Govett	136	2.9	180	12	87	–	1	103	193
77	TR North America	Touche, Remnant	89	2.9	119	8	92	–	–	92	242
	Far East										
44	Drayton Far Eastern (w)	MIM	169	0.9	236	1	–	71	28	106	235
164	F & C Pacific (w)	Foreign & Colonial	193	1.1	261	6	22	51	21	109	258
275	Fleming Far Eastern	Robert Fleming	121	1.2	171	1	–	80	19	99	321
295	Govett Oriental	John Govett	203	1.6	289	8□	3	74	15	111	281
22	Martin Currie Pacific (w)	Martin Currie Inv. Man.	132	0.6	168	5	–	83	12	101	†
4	New Australia Δ	Clayton Robard (UK)	111	1.9	87	–	–	–	100	97	†
12	Pacific Assets (w)	Ivory & Sime	69	1.4	99	8	–	–	92	90	†
70	Pacific Investment (w) Δ	Thornton & Co.	107	0.5	134	7	–	64	29	99	†
32	TR Australia (w)	Touche, Remnant	88	3.7	102	7	–	–	93	102	174
183	TR Pacific Basin (w)	Touche, Remnant	166	0.9	242	3	–	81	16	93	356
	Japan										
55	Baillie Gifford Japan (w) Δ	Baillie, Gifford	406	0.2	506	–	–	100	–	96	†
15	Baillie Gifford Shin Nipp. (w)	Baillie, Gifford	64	1.0	86	–	–	100	–	100	†
101	Crescent Japan	Edinburgh Fund Mgrs.	217	0.2	301	–	–	100	–	98	375
263	Drayton Japan	MIM	695	0.2	940	4	–	95	1	106	379
151	Fleming Japanese	Robert Fleming	691	0.8	936	3	–	97	–	100	364
83	GT Japan	GT Management	179	1.1	257	2□	2	94	2	100	339
68	Japan Assets (w)	Ivory & Sime	56	0.1	82	1	–	99	–	99	†
78	New Tokyo (w)	Edinburgh Fund Mgrs.	244	0.5	349	–	–	100	–	98	405
	Commodities & Energy										
5	City & Foreign	MIM	123	1.2	134	25□	75	–	–	73	114
[illegible]	New Darien (w)	Hodgson Martin	58	1.5	62	34□	64	–	2	84	61
15	Precious Metals Δ	J. Rothschild	104	0.8	127	10□	51	–	39	90	†
82	TR Natural Resources	Touche, Remnant	217	5.4	273	39	32	–	29	98	137
	Comm. & Energy (cont.)										
22	Viking Resources	Ivory & Sime	34	8.4	53	58	42	–	–	95	55
14	Wemyss	Edinburgh Fund Mgrs.	630	3.4	822	55	31	5	9	92	149
	Technology										
10	Baillie Gifford Tech. (w)	Baillie, Gifford	67	3.2	91	42□	58	–	–	77	†
83	Fleming Technology	Robert Fleming	152	2.1	210	37	40	19	4	102	214
77	Independent	Ivory & Sime	206	1.2	273	20	77	–	3	86	204
354	TR Technology	Touche, Remnant	103	2.5	149	41	38	16	5	100	248
	INCOME GROWTH										
367	British Assets	Ivory & Sime	56	4.8	78	49	46	–	5	106	281
155	First Scottish American	Dunedin Fund Managers	318	4.5	423	93	4	–	3	112	284
69	General Consolidated Δ	Philip Hill	304	5.4	367	68	29	–	3	90	284
206	Investors Capital Trust	Ivory & Sime	267	5.7	330	79	1	–	2	98	†
37	Lowland	Henderson	151	2.8	143	89	5	–	6	97	479
161	Merchants	Kleinwort Benson	114	5.4	154	67	25	–	8	95	255
162	Murray Income	Murray Johnstone	155	5.0*	180	77	11□	–	12	95	320
174	Murray International	Murray Johnstone	162	4.4*	211	43	37	11	9	93	291
136	Raeburn	Lazard Brothers	397	4.3	497	57	28	10	5	94	247
192	Securities Trust of Scotland	Martin Currie Inv. Man.	81	4.4	105	58	25	10	6	106	304
	SMALLER COMPANIES										
14	Continental Assets	Ivory & Sime	86	–	100	–	–	–	100□	61	†
47	Dundee & London	Dunedin Fund Managers	198	4.0	278	73	14	12	1	98	257
53	English & International (w)	MIM	157	3.5	200	77	15	16	2	107	252
80	F & C Alliance	Foreign & Colonial	112	2.3	149	42	28	17	13	105	244
9	First Charlotte	Ivory & Sime	9	0.8	13	93	1	–	–	97	163
23	Fleming Fledgeling	Robert Fleming	135	2.6	162	69	29	2	–	94	278
61	Glasgow Stockholders	Gartmore (Scotland)	128	2.5	159	49	35	6	10	105	246
16	Kleinwort Smaller Cos.	Kleinwort Benson	237	4.1	316	93	1	–	6	99	316
29	London Atlantic	Investors in Industry	190	3.0	245	74	13	–	13	98	244
20	Moorgate	Philip Hill	430	4.7	448	93	1	–	6	90	339
20	North British Canadian	Investors in Industry	238	4.3	294	95	3	–	2	105	269
62	St. Andrew	Martin Currie Inv. Man.	137	3.8	150	65	22	18	4	100	294
217	Scottish American	Stewart, Ivory	318	3.1	387	46	34	10	10	97	235
43	Smaller Companies Int.	Edinburgh Fund Mgrs.	91	2.5	108	51	25	24	4	94	285
19	Strata Investments (w)	Henderson	125	–	125	32	25	14	29	96	†
218	TR Trustees Corp.	Touche, Remnant	190	3.4	165	65	27	8	–	104	253
246	Throgmorton	Throgmorton Inv. Man.	289	4.1	361	89	9	1	1	118	308
21	Throgmorton USM (w) Δ	Throgmorton Inv. Man.	80	–	105	100	–	–	–	-131	
	SPECIAL FEATURES										
74	Ailsa Δ	J. Rothschild	108	2.9	144	49	30	13	8□	94	†
15	Consolidated Venture (w)	MIM	122	0.1	142	13□	83	3	1□	91	202
159•	Drayton Consolidated	MIM	322	4.5	457	75	18	6	2	96	208
23	Edinburgh Financial (w)	Stanecastle Assets	37	3.9	46	66□	7	10□	6□	130	†
262	Ensign Trust	Merchant Navy Inv. Man.	132	1.6*	161	73	22	1	5	105	†
40	Fleming Enterprise	Robert Fleming	333	4.0	404	100	–	–	–	87	318
295	Fleming Mercantile	Robert Fleming	159	3.2	188	54	33	8	5	93	247
23	GT Global Recovery Δ	GT Management	161	2.2	186	74	16	4	6	108	236
86•	Murray Ventures (w)	Murray Johnstone	200	1.7	445	76	13	3	8	95	258
88	Nineteen Twenty-Eight Δ	London & Manchester	185	3.1	235	91	9	–	–	96	228
8	Stewart Enterprise (w)	Stewart, Ivory	47	1.2	47	63	25	11	1	84	†
108	TR Property	Touche, Remnant	179	3.2	232	69	13	10	8	93	237
	SPLIT CAPITAL (x)										
26	Altifund 86/88	Gartmore	668	0.1	724	98	2	–	–	84	294
2	Child Health 87	Thornton & Co.	365	–	395	55	2	18	25	115	220
43	City & Commercial 88/93	MIM	765	–	1063	84	7	7	2	110	290
37	Dualvest 85/87	MIM	1535	–	1628	90	8	2	–	107	280
34	Fundinvest 85/90	MIM	382	–	477	79	9	10	2	107	276
3	Marine Adventure 88	Thornton & Co.	220	–	271	53	2	19	26	118	†
45	New Throg. (1983)(w) 08	Throgmorton Inv. Man.	63	–	140	100	–	–	–	137	†
40	S. & P. Linked 95/97	Save & Prosper Group	415	–	725	100	–	–	–	115	375
23	Throg. Secured Growth –	Throgmorton Inv. Man.	363	–	464	100	–	–	–	69	295
95	Triplevest 87/91	MIM	1020	–	1345	88	11	1	–	113	271

NOTES TO THE TABLE

† No data.
* Applies to Ordinary/"A" Ordinary only.
□ More than one quarter in non-equity investments.
(x) Capital shares and winding-up dates.
z Incorporates recent revaluation of unlisted investments.
ac Adjusted for scrip issue.
ar Adjusted for rights issue.
(q) Published quarterly.
(w) Company has warrants or options in issue.
• More than 20% in securities or other assets included at directors' valuation.
Δ The Trust has provisions for a limited life. Please refer to the company for further information.
Ø Figures not directly comparable with previous month.

Cols. 1, 4 to 6 Figures supplied by Wood Mackenzie & Co. Ltd. members of The Stock Exchange. The figures in Cols 1&6 are simulated to date shown based on latest valuation supplied by the companies and made available to The Stock Exchange.

Col. 11 The gearing factor indicates the percentage amount by which the net asset value per share would rise if the value of the equity assets increased by 100 per cent. Further explanation is given in the booklet "More for your money."

Additional explanatory notes are available on request from The Secretary, The Association of Investment Trust Companies, Park House (6th Floor), 16 Finsbury Circus, London EC2M 7JJ. Tel: 01-588 5347.

INDICES OF FIVE YEAR TOTAL RETURN

+ Investment Trust Average	291
F.T.–Actuaries All-Share	302
* Standard & Poors Composite	283
* Tokyo New Stock Exchange	424
* Morgan Stanley Cap. Int. World	309

+ Excludes split capital.
* Adjusted for exchange rate changes.

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Country Property

· PROPERTY ·

London's unreal estate

John Brennan looks at prices in the centre of England's capital and finds that many sellers seem to be pushing their luck . . .

JOHN CALLANDER, of the Cadogan Street agents Callander Wright, sums up the problem of central London asking prices by saying: "At least 25 per cent of the properties I see for sale now are overpriced.

"It is always the case in the summer. When the sun comes out, people do think that their garden is looking particularly good and that it's the best time to sell. Some do take an unrealistic view of the value of their property."

Egged on by a new breed of barely competent but highly competitive estate agents, over-optimistic sellers hold out for unattainable prices. The house or flat sticks on the market until the autumn; then, on past experience, Callander says: "They'll either bring the price down to a more realistic level, the market will have caught up with them, or both." Either way, that is when the sales start to pick up again.

"The autumn, and spring in the weeks before the school summer holidays, are the best times to sell. It's a popular misconception that the summer brings out the buyers," he adds.

Home owners are not the only ones trying to push their luck in a sellers' market: he has run across professional developers who will not listen to an advising agent's valuation. "I have had cases where we give a figure and the developer has said, 'I want 25 per cent more than that.'"

Andrew Langton, managing director of the Kings Road agency Aylesford & Co, reports the same problems although, as he says, most of the residential developers these days do take note of professional valuations. Development financing costs make them as conscious of the speed of a sale as of the price.

Private buyers can be quite a different matter. When a seller insists on asking far more than a suggested valuation, an agent is in a difficult position. Says Langton: "What are you to do? Tell someone it is illogical nonsense or say 'OK, I'll give it a go' and see if some unexpected buyer turns up? I've got half a dozen like that in the drawer."

The property magazines that pour through the doors of central London homes these days provide inspiration for do-it-yourself valuers, along with notes from the latest addition to the local estate agency lists to the effect that "properties in your area are in great demand." The free valuations on offer across the capital help to turn even the most settled home-owners into speculative sellers.

Keith Parry of Sturgis explains just how sellers' hopes and agent competition result in misleading asking prices. He tells of dozens of instances where Sturgis has been called around to value a property for sale and where the prospective seller listens to the guide price, politely explains that he will "think about it"—and promptly puts a small advertisement in the property pages asking 10 or 20 per cent more. Parry and his negotiators read those ads but tend not to mention it when, a few weeks later, the seller calls again and says he has thought about it and could Sturgis act on the sale at the price it suggested.

"Fair enough," says Parry, who accepts that sellers do like to have a go themselves, and do sometimes hit lucky. What irritates him, and infuriates most of the other established agencies as well, is when a buyer consults a range of agents and is persuaded to give the sale instruction to one who says that the property should sell for far more than any experienced valuer would advise.

Since anyone can set up as a residential estate agent, many ambitious negotiators spend a few months in an established agency and then lease their own shop-front. How are they to carve a trade for themselves? Price competition is one way. That has already resulted in a commission war in some parts of outer London. Central London commissions have not dipped under the 2 to 2½ per cent average because office and staff costs are so high. That has kept the competition down and makes those commission rates—which are the envy of provincial agents charging half as much—far less profitable than they appear to be.

A commission war sounds good news for customers—but not when it also means that inter-agency rivalry leads to advice on prices based more on an agent's view of what will win him a sales instruction than on the chances of selling the property in a reasonable period. And Parry reports that sellers are getting that kind of misleading advice from job-hungry agents every day.

If there was any one objective value for a house or a flat, it would be easy to see when a price was out of line with the market. But it is not as simple as that. As Chesterton's senior partner, Bruce MacEacharn, says: "On new developments, people don't attempt to over-price as a rule. They know their costs and say, 'OK, we want £300,000 for a two-bedroom apartment and £250,000 for the smaller ones.' They know what prices are.

> 'The magazines that pour through the doors provide inspiration for DIY valuers . . . and the free valuations on offer help to turn even the most settled home owners into speculators.'

"When it comes to the resale market, you're in a minefield. Say Mrs Jones puts her house up for £150,000, and it is sold within a day. She wonders if she was asking enough; she's bound to."

It is one of the problems about asking prices that you know never if an agent has pitched the price low enough to ensure a near-instant sale, either because the client wants a swift move or because, that way, the agent's commission comes in so much faster.

Generally, the pressure works the other way, towards over-pricing. MacEacharn turns back to our notional Mrs Jones. "If she asks three or four agents around, three of them may agree that her house is worth £170,000. They're likely to say that she ought to ask £180,000 to £185,000 and see if she gets an offer. If the fourth says 'You should get £225,000,' she's very likely to go along with that."

It is not always rogue agents who push sellers into asking too much. MacEacharn recalls one client with very fixed views on value. "I was asked to sell a house in Kensington and the chap wanted £1.5m. There was no way it could have been worth that money. I wouldn't market it at that price, but I agreed to keep it in the bottom drawer for a special purchaser."

That house was eventually sold—but not for another two years and for £100,000 less than that "no offers" asking price.

Still, even the best professional valuations can be only a guide to price. MacEacharn explains how an agent's view can be translated into the asking price. A basic "sell overnight" price might be, say, £340,000—in which case, in today's markets, that might mean a more realistic valuation of £360,000 to £370,000. That would appear as an asking price of around £395,000 "to put your toe in the water."

If every property was being offered at five to 10 per cent above its "real" price, it would not take long for buyers to work out the discount and bid accordingly. But the only real price is what the market will bear; and for every buyer who is willing to bargain, there is another who just wants to get the deal done. "When people see a house they want, there is a strong element of not wanting to lose it," says MacEacharn. "At the moment it is a seller's market; and when people make an offer and find that someone else has come along and paid the asking price, you're always hearing them say, 'Oh, but I would have paid more.'"

If that sounds like the scene for a touch of gazumping, you're right. Agents used to talk sadly of greedy sellers leapfrogging deals for a few pounds more. Now, they point an even more critical finger at other agents who muscle in on sales instructions and positively encourage sellers to accept bids after they have shaken hands on a sale. "In the past 20 years," says MacEacharn, "the number of estate agents must have grown 20-fold and attitudes and standards of behaviour have changed. You're in cowboy land now."

Cornish delights

THE COLLAPSE of the tin price may have wrought havoc with Cornwall's mining, the oversupply that led to milk quotas deeply indented the profitability of the region's small-holdings, and the loss of its special development area status in the redrafting of regional aid policy hasn't the drive to bring in new jobs. But home buyers still compete for sea views and country homes.

Peter Copeland at Miller & Company in St Austell reports a shortage of sizeable country homes. "There have been quite a number of small holdings on the market, but the bigger farmhouses you could really do something with don't come up that often." The motorways and road improvements after Exeter cut the road journey time from London to St Austell to around five-and-a-half hours, and there's the overnight Motorail if that haul seems too exhausting.

Once there, choice and price depend on how close you look to the southern coast. "You can get a farm house inland dead cheap," says Mr Copeland, "but on the south coast with a sea view the same property will cost several times more."

One three-bedroom farmhouse on Miller's books at Praze-an-Beeble, near Camborne is a "typical Cornish property. It is called 'Five-Acre Farm' and has six acres." That's £78,500.

Resugga farmhouse at St Stephen in Brannell has a more distinguished history. A mile from the prehistoric earthworks of Resugga Castle overlooking the River Fal, the Grade II listed 16-room farmhouse dates back to the 14th century, although there is not much of the original building left after additions and alterations over the centuries. The building, and an acre and three-quarters of garden and paddock, was sold off when its farm's land was separately bought some years ago. The new owners spent about £25,000 reroofing the house in traditional Delabole slate, and made a start on internal renovation work.

The price? Well, as it is one of the properties of character that "buyers from up country" tend to like, Miller is putting it up for auction on September 9 at its St Austell office (0726 66435). Bids between £75,000 and £100,000 are expected, but you never know with an auction.

J.B.

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• PROPERTY •

Caroline Keely on the perils of renting out a house

Withdrawal symptoms

I ALWAYS suffer that pre-exam feeling in the pit of my stomach as I open the hack door, never sure what I'll find—or not find. Will some child have scrihhled on my walls? Will my pine furniture have mug marks on the surfaces and scratches down the sides? Will the crockery be smashed and the spoons vanished? Letting other people rent my home is a perilous pastime.

So far my worst nightmares remain unrealised. It is irritating to be left no loo paper, or to find the washing-op liquid on its last air-filled squirt, hut relief at what might have happened amply compensates. And rather enjoy the odd slection of donations (usually something I'm trying not to eat—two dozen currant scones was perhaps excessive, hut the chocolate cupcakes evoked fond memories of childhood picnics).

Many people rent out "country cottages" as a profitable business venture. But there are also those of us who have opted for a schizophrenic two-home existence. Wheo I joined the precarious world of the self-employed, a few bleak moments consulting my calculator convinced me that someone else had to help pay for it. Of course it's wonderful when the cheques roll in, hut I still endure withdrawal symptoms as I put away my one good rug and hide the few hone china plates at the back of the cupboard.

With the first teoants I was, perhaps, over-conscientious, determined my cottage would seem the perfect rural retreat. Flowers filled every room. The furniture glowed from polishing. Fresh wholemeal rolls lay cooling on the rustic carved hreadboard. As they stepped through the door, their senses were to be assaulted by the warm smell of beeswax and baking. In fact, waiting nervously for their arrival, fiddling in an already pristine kitchen and ever-conscious that the hucketing rain would bring in four pairs of wet feet and one small dank dog, I smashed a hottle of hurgundy. As my first family crunched their way over the darkening flagstones I felt more like the landlady of a pub than of an idyllic country cottage.

Since those early over-anxious days I have grown more detached. I no longer feel the need to welcome every new tenant personally and I anaesthetise myself from possible chaos when I return hy amploying someone to clean.

I am sensitive ahout heing the only "weekender" myself and wondered how the village would react. I need not have worried. A neighhour who makes a career of finding difficulties complained of an ahandoned hikini top—"not what people in this village like to see"—but nobody else seems to mind the temporary addition to our small community. My front garden now less resembles a field and the shop, pub, pottery and milkman henefit, I hope, from increased trade.

Neither the cottage nor the tenants have suffered any real disasters hut winter can hring its own unforeseen endurance test. I was called in to "rescue" a family who had been forced to retreat to the privations of a caravan when the newly installed pipes froze in their half renovated house.

I pictured them, warm at last by my log fire, socks drying oo tha Rayhurn, hot water gushing into the hath. I phooed the day they arrived. It was the carpet tiles from the hathroom which were drying on the Rayhurn. Icy water was swirling round the kitchen furniture and an heroic plumber was digging for the burst pipe in four feet of snow. The caravan must have seemed like paradise.

I frequently find cutlery in the flower heds, even after a week of unremitting rain, and my visiting mother fell into the mao-hole which had een broken hy being used as plat-form for chopping wood. It proves that other people are iofinitely inventive. Nevertheless, encouraged by a relatively painless debut and fuelled by many kind letters from contented visitors, I am now embarking on a second year of "sharing" my home.

At home in the country

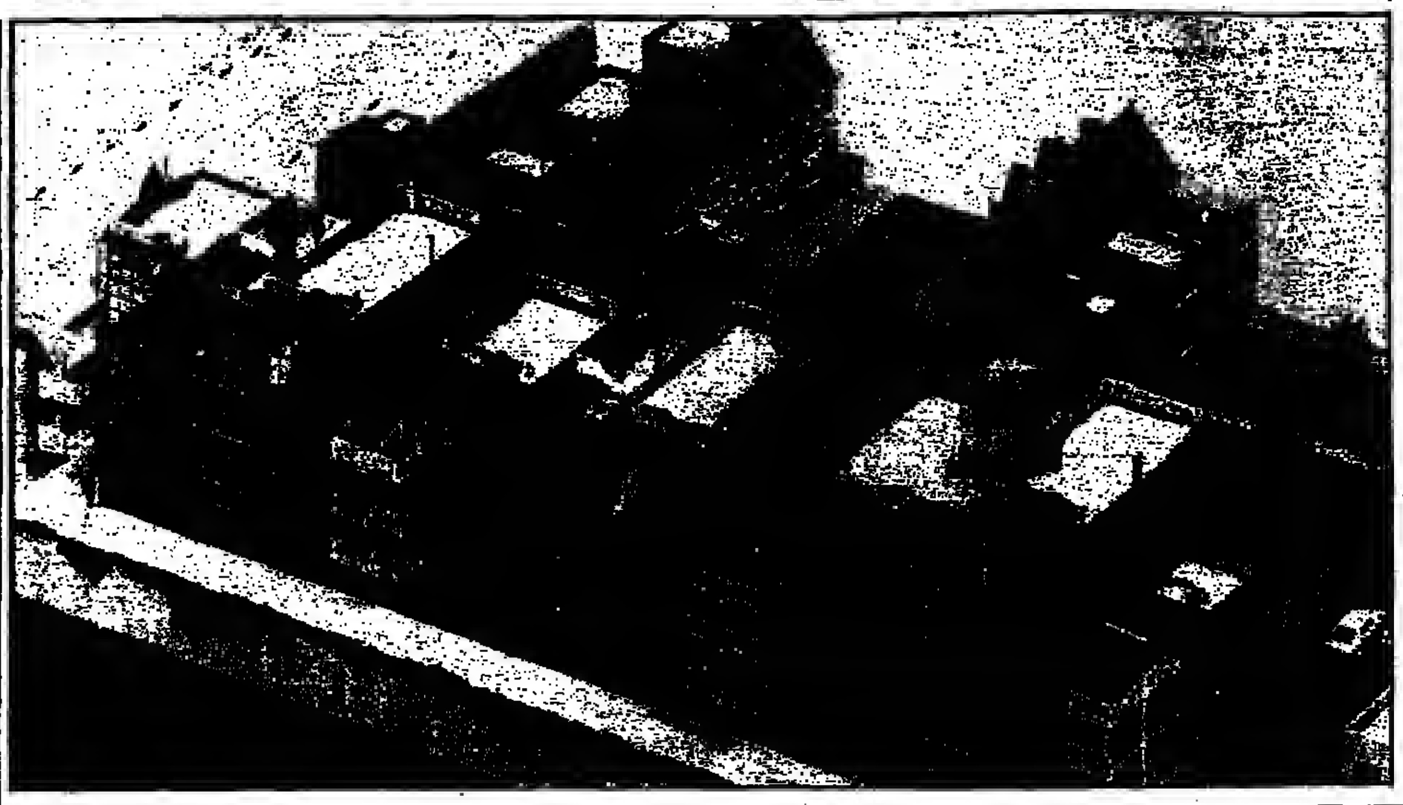
John Brennan on the renewed demand for out-of-town houses

THE ENGLISH country house used to be something that stayed in a family for generations. Death duties and Capital Transfer Tax cut into that tradition. Children leaving home earlier and setting up their own households earlier, plus heavy running costs finally consigned many a minor family seat to the care of a nursing home business or simple decay.

But in the past teo years the demand for a home in the country with room for the Range Rover and space for the children's poonies has eoahled country agents to dust off their old files of unused rectories and mini-estates and make an active market again.

But it is quite a different market these days. The new country house buyers don't put down roots, they continue to trade up, from oast house conversion to Tudor barn, from barn to Jacobean farm house, from farm to Georgian rectory, up past the haute Victorian and Edwardian country houses towards the goal of a Queen Anoe mini-mansion or, if the golden handshakes have been particularly glittering, a full scale estate.

"One is seeing people trading up every five years or so," confirms Mr Christopher Calcutt of Strutt & Parker's Canterbury office. "People have become more flexible in their thinking about country homes, and they are more active in working their way up the scale." Mr Calcutt reveals ooe hidden cost of country living that has resulted in renewed interest in properties in and around villages and towns rather than out in their own grounds. "It is an aspect of the problem of accessibility. People with teenage children find they are becoming an involuntary taxi service, so they are tending to look a little loser in."



ALL EYES ON RIVER

NEWS OF a residential development by Richard Rogers (of Lloyd's and Pompidou Centre fame) will gladden the hearts of window cleaners in Fulham, West London. Developed by Crudace, all 25 apartments in the Thames Reach scheme, just down-river from Hammersmith Bridge and off the Fulham Palace Road, have 28ft-high double-glazed views over the river. John England & Partners (01-402 2333) and Savills (01-730 0822) have been selling the two and three bedroom units off the plans for between £165,000 and £525,000. Owners, who should be able to move in during January, get an underground garage, a 999-year lease and a share of the block's management company.

Scotland's National Trust is about to make its 100th acquisition. **Alistair Guild** reports

How history is brought to life

LATER THIS month, the National Trust for Scotland takes possession of its 100th property, the island of Staffa with its world-famous Fingal's Cave. Yet such an addition to the Trust's portfolio would have beeo unlikely *without* the generosity of Mr John Elliott Jr, formerly chairman of Ogilvy and Mather, the international advertising agency, who provided most of the £175,000 purchase price.

The NTS says it is no longer generally possible, desirable or indeed necessary for it to acquire country houses, castles or areas of wilderness. It already owns much of Scotland's finest buildings, landscapes and historic sites.

But there are compelling financial reasons also. Last year, it had to defer £500,000 of work to trust properties, and it will now only take on large properties with an endowment sufficient for their upkeep.

The trust is seeking more and more to concentrate on the presentation of its existing properties, to make them more accessible to the community and to improve its links with education.

A recent report on the Scottish curriculum highlighted the need for children to go outside the classroom to study social history. "We should see our properties as classrooms for all ages," said Mr Lester Borley, director of the NTS.

At Culzean Castle, children are encouraged to act out that history. Boys dress up as servant lads, and girls as maids. A more humble aspect of Scotland's past is presented in a Victorian tenement flat in Glasgow's West End. Furniture and domestic items are displayed as they were used by a family for more than 50 years.

From the success of the tenement flat project has emerged the trust's interest in another aspect of social history—industrial archaeology. It bought a print works in the Borders town of Innerleithen, and is about to start raising funds for its restoration, likely to cost £60,000. The property has a collection of working machinery, typefaces, galleys and archival material going hack 100 years.

The trust is also negotiating the lease of a railway station at Dunkeld in Perthshire. It hopes to create a mnseum which tells the story of the development of the Victorian railway in Scotland. The transformation of the station, which the trust anticipates would attract more than 100,000 visitors a year, is likely to he financed from a number of sources.

One of the trust's most successful schemes has been running for 26 years, with the trust meeting *nothing* but administration costs. Since the introduction of the Little Houses Improvement Scheme, more than 200 small properties have been restored, with a current market value of £7m.

Little houses were homes, work places and stores for merchants, artisans, shipmasters and fishermen. They are examples of vernacular architecture just as individual and native to Scotland as the castles and great houses of barons and lairds. In the post war years, they were being demolished in their thousands.

The scheme, as introduced in 1960, used the concept of a "revolving fund." Then unique, it has since heen copied by conservation bodies throughout the country. Houses are bought, sold with safeguards against unsympathetic alteration, and the capital used to repeat the process.

This method, with variations, continues to operate today. There are now four funds. The LHIS General Fund is worth £180,000, while three NTS/local authority funds have been added in Strathclyde, the Borders and Dumfries and Galloway.

However, the scheme would not he feasible without subventions. Of these, local authority improvement grants are the most important. The trust also taps the Historic Buildings Council for Scotland for repair grants and local authorities for conservation funds.

"The trust has provided the seed for the restoration of whole areas," said the scheme's administrator, Mr Neail Sharp. The trust has developed out of the scheme a service to market vernacular properties in need of restoration. It currently has 200 people on its books looking for houses to restore.

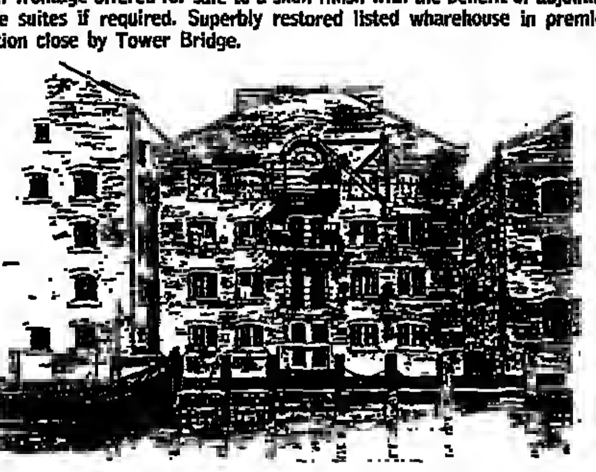
"Because they are economically more viahle, we are now turning our thoughts to properties capable of multiple occupation after restoration," said Mr Sharp. "We are also seeking to attract finance from private trusts to provide, for example, sheltered housing.

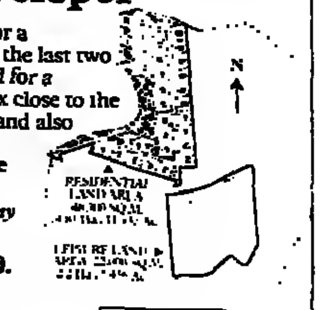
"An old granary in Perth, bought for £1, is likely to cost £340,000 to restore. It would be specially adapted to take wheel chairs, with lifts and wideoed doors."

Mr Sharp does not rule out involving huilders such as Bovis and Wimpey in partoership, though the trust would insist on retaining control of the restoration and that the property be finished to the standards of the period.

Mr William Cuthbert, the trust's chairman, in appealing for more government aid for property maintenance and improvement, highlights the trust's community involvement and its cootribution towards tourism, the leisure industry and job creation.

To help prove its case, the trust is to carry out a study this summer with the Highlands and Islands Developmeot Board to assess the socio-economic impact on Scotland's north west of one of its properties, the garden at Inverewe.





هكذا من الأصل

The Golden Road to Samarkand

IF the sky fell, poets used to say, the domes of Samarkand are so blue that people would not notice the difference. That was true when Samarkand was a fairytale town out of the Arabian Nights; it is still true now that it has become a fairly big busy city in Soviet Central Asia.

We looked out of our window high in the main hotel. There was the dome of Tamerlane's tomb. There were the domes of the 500-year-old Registan square, and there the domed mosque of Bibi Khanum, Tamerlane's favourite wife (at least until he found her in bed with the architect). They were all as blue as the sky.

Samarkand goes back a long way, perhaps 2,500 years, a trading centre where mountain meets desert on the old Silk Road to far Cathay. Alexander the Great captured it. Genghis Khan left it for dead. Marco Polo passed through, finding it "a very large and noble city" and related how St John performed a miracle there, lifting up a pillar in a church dedicated to him so the local Saracens could retrieve a stone which belonged to them without making the Christian building collapse.

But the town's golden age came in the time of Tamerlane, the Scourge of God. He built an empire in the 14th century from the remnants of the Mongol territories across Asia and then, unlike other nomads, settled down and brought captured artists and craftsmen to rebuild Samarkand as his capital. He lived in a tent in a garden while it was going up.

It's appropriate then that his tomb, called the Gur Emir, should be the single most impressive monument in the city, a big, square, brick building crowned by a fluted dome of sky-blue tiles. The tiles may not actually outlast the sky; they were apparently restored with the same unreliable glue used to attach the floor tiles in our hotel bathroom, and are falling off again, but the brilliant colour glitters undiminished in the sun.

Inside, the intricate geometric decoration is being restored more successfully, with papier mache. Tamerlane himself is buried at the feet of his favourite teacher. When exhumed in 1941 he was found to have a shortened right leg, bearing out his name, which means Timur the Lame.

The immediate neighbourhood, the heart of medieval Samarkand, is probably much as he would have known it. Alleys, narrow and unpaved, wind between the low mud-brick houses, punctuated by doors but no windows — light comes from internal courtyards instead.

Women, some veiled, walk through the streets with baskets on their heads and families in tow. Children in corners play with footballs and skipping ropes. Old men sit and chat and drink tea, their faces wrinkled and full of character—though this may be just a rose-tinted way of saying they've lost their teeth.

The people are ruled from Moscow and had adopted the Cyrillic alphabet, we were assured, by popular demand (about as popular as metrication in Britain, no doubt) but they remain Asian and Islamic, not Russian. The real Russians in the north, in fact, are uneasy about the high birthrate of their Islamic country cousins. Afghanistan is only 150 miles away (though we saw no signs of it) and Iran, with its religious upheavals, not much further.

Not far from the Gur Emir, just off the clamour of the main road, we found peaceful Registan square, Samarkand's other historical marvel. On three sides of it stand madrasas—seminaries—built in the 15th to 17th centuries. Each has a huge entrance arch flanked by minarets and covered with more blue tiles, also skilfully restored, worked in geometric patterns and kufic inscriptions.

One of these boasts: "When the architect had perfected the curve of the entrance arch, heaven took it for a new moon and bit its finger in wonder." The madrasas no longer serve any religious function, but they have kept the tranquil air of holy buildings, with mulberry trees growing in the courtyards and occasional sightseers strolling respectfully by.

More blue domes mark the Shahi Zindeh mausoleum complex, a small street of tombs where Tamerlane's friends and relations lie buried along with (supposedly) a cousin of the Prophet himself. Nearby are the few remains of the observatory of Ulug Beg, Tamerlane's grandson and one of the great renaissance men, learned in the arts, sciences and politics. Well, perhaps not so much in politics: he failed to hold the empire together and his son had him killed two years into his reign. But he was once ranked as an astronomer with Galileo and calculated the length of the year to within 58 seconds.

Beyond the medieval centre lies modern Samarkand, a city of 550,000 people in Uzbekistan. It has a surprising amount of bustle for a Soviet town—much more for example than Tashkent, the Uzbek capital, which though bigger looked almost deserted when we visited it. Samarkand's main road is alive with horse-drawn carts and cars and big yellow buses. We tried to imagine Marco Polo picking his way through the jam on the way to the main market.

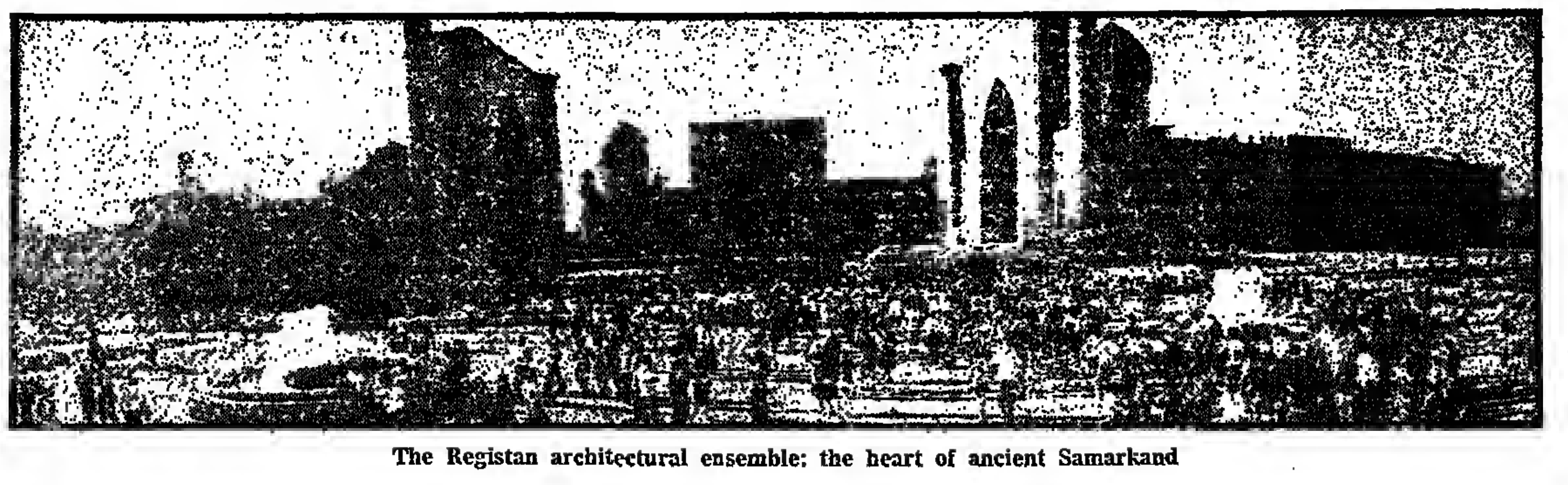
All sorts of spices and fruits are on sale there, but we noticed the lack of the consumer goods, the precious metals, the aggressive salesmanship, which animate other eastern bazaars—because this is after all the Soviet Union: free enterprise is limited, prices fixed and standards monitored.

We travelled with a guide from the state Intourist organisation, a friendly unbureaucratic woman who, when a flight looked likely to be grounded by fog, promptly rounded up a bus and driver just in case. We were free to walk around unchaperoned whenever we wanted.

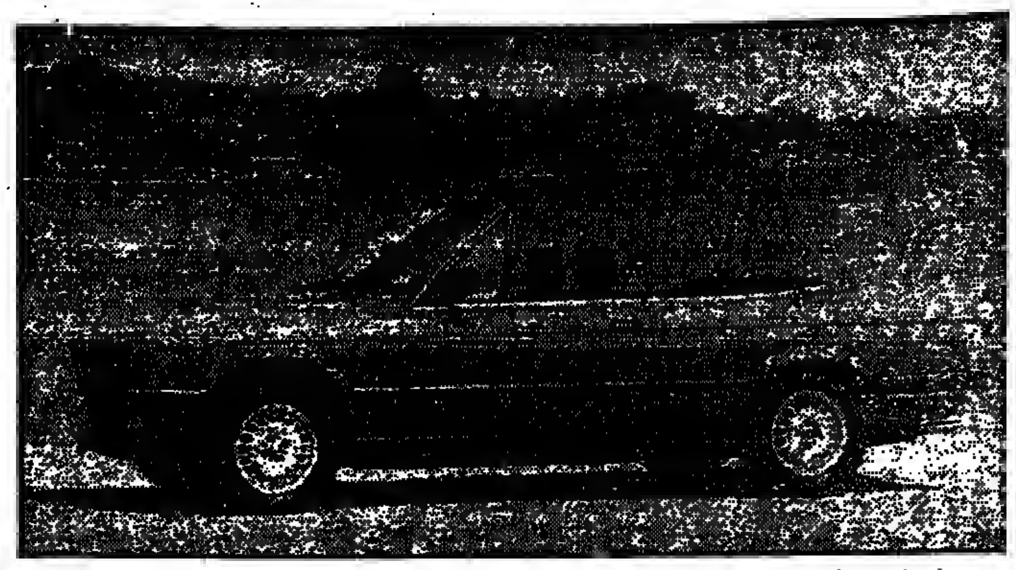
The hotels were not posh but comfortable enough, and their bars closed in the afternoon just like home. Nor were our rooms bugged, except for a few cockroaches, and they were nothing compared with the great capitalist cockroaches of New York.

● We travelled on a Thomsons tour. A week visiting Moscow, Leningrad, Tashkent, Bukhara and Samarkand begins at £320. Intourist, at 292 Regent Street, London, run similar tours themselves.

John Westbrooke



The Registan architectural ensemble: the heart of ancient Samarkand



The BMW 325i convertible; a perfect car in which to enjoy open-air motoring

Enjoy the open air

IT WAS perfect weather for open-car motoring and the new BMW 325i convertible was an ideal car to enjoy it in. The temperature was in the high 80s, the Vosges simmered in a blue haze and the roads leading to the Ballon d'Alsace were pleasantly free of traffic.

I had not driven an open car for more than a year — long enough to have forgotten the joy of smelling wild thyme and new mown hay, and to notice how much cooler it is a 4,000 ft than down in the valley. One feels more in touch with the outside world when the roof is folded down.

BMW seems to have achieved the near impossible with the 325i convertible, its first fully openable car in 30 years. The hood is a tight as a drum when erected and gives all-round visibility to compare with that of a 3-series saloon.

To lower it, there are no zips or press studs to struggle with; just a couple of clips at the top of the screen to undo. Then, in a easy, single-handed movement, the whole thing folds down out of sight beneath a flat metal panel. Putting it up again is just as easy, because a pair of gas-filled springs built into the hood frame do most of the work. In fact, it is the kind of hood one needs on a convertible for Britain. You can put it up and down between showers.

With the side windows, which are electrically operated, fully raised, the wind noise is perfectly tolerable at motorway speeds. Windows lowered, the BMW would be in its element, drifting slowly along the Mediterranean shore.

Soft top cars converted from hatchbacks — the VW Golf is a prime example — can have very small boots and not much rear passenger space, but the BMW is a proper four seater with boot room for two large cases and much else besides.

There is no roll-over bar to brace the body or protect the occupants should the worst happen but the 325i convertible does not shake or flex over rough roads. BMW lists a dozen modification to the body shell to eliminate unwanted flexibility. They include stouter than normal metal for the windscreen frame which should offer some roll-over protection.

It drives like any other BMW 325i, with a super-smooth running in-line 6-cylinder that puts out 171 horsepower at 5,800 rpm and prefers being driven like a sporty 4-cylinder than being asked to slog away at low revolutions. A top speed of 134 mph and a 0-60 mph acceleration time of 8.4 seconds are claimed.

I doubt that many buyers of the 150 examples of the convertible due to reach Britain this year will have continuous high-speed driving in mind. For that sort of use a hardtop makes more sense. But for a family with a big and long-legged executive-style car in the garage, a 325i convertible would be the perfect companion. It would make commuting to town a pleasure, not a ordeal, in summertime. If it did have to be used in winter, the hood would be weatherproof and a hot air blower built-into the rear parcel shelf should keep the flexible back window demisted. But I would not care to leave it unattended in a back street for long. Though it has an anti-theft device to prevent the engine being started by an intruder, a sharp knife makes a man-sized hole in a fabric hood in seconds. A thief might not be able to drive the BMW away, but he could take the radio/stereo tape player as consolation prize.

With power steering, sports seats and electric windows standard, the 325i convertible costs £16,495 with 5-speed manual gearbox. Michelin TRX tyres, which gave the car I drove an excellent ride and all the handling one could responsibly use, add about £150 to the price.

Having sampled the delights of the soft top in France, I took BMW's latest saloon supercar into Germany next day. The M5, with a top speed of 153 mph and 6.2 second 0-60 mph time, is claimed to be the fastest 4-door saloon available in Britain.

The autobahn from Mulhouse to Karlsruhe should have given me an opportunity for a pipe-opening blast in the M5 but it was as crowded as the Southend arterial on a Sunday.

I managed 140 mph for a few seconds, with the feeling of a lot more to come, before the four-piston, ventilated disc brakes had to go on fairly hard. If perfection is driving a M5 on a deserted autobahn, frustration is trying to enjoy it in a mobile traffic jam at 60 mph or so.

Off the autobahn, it demonstrated that it is possible to combine tigerish performance with the utmost gentleness. In town, the M5's 24-valve, 286 horsepower 3.5 litre in-line 6-cylinder held fifth gear down to 30 mph without protest. The clutch is not heavy, the ride comfort is little affected by the 50 series Pirelli P700 tyres and the power steering makes slow driving and parking effortless.

The M5 is created by BMW's Motorsport subsidiary, which takes a body shell from the factory and hand builds the car around it. In effect, it is an off-the-peg Alpina B10 without any of the go-faster body alterations. The M5 makes do with a modest front air dam and boot lid spoiler that would not look out of place on a slightly warmed-up family saloon. The suspension is firmer than that of a normal 5-series, the gearbox has been beefed-up and a limited slip differential fitted.

Inside, it is luxuriously trimmed in velour. Electric windows, sunroof and seat adjustment, air conditioning, central locking and on-board computer are all standard. The price is £31,295. BMW GB should have little trouble selling the 70 it will bring in this year to well-heeled motorists who like very high performance without any ostentation.

● The prices of the new Toyota Supra (this column, last week) are £15,299 for the manual, £15,999 for the automatic.

Stuart Marshall

Purgatory in paradise

WE WERE, the Mexican ministry of tourism informed us, "hostages in paradise." If Acapulco was paradise—this city of high-tech hedonism and Latin low-life, of towering hotels and huddled slums—then maybe hell had a bad press. A city for wild adventures and a little mischief, perhaps. The perfect setting for a sequel to Hunter S. Thompson's Fear and Loathing in Las Vegas, certainly. Assailed by disco music, dazzled by space-age boutiques and pestered by street hustlers (some as young as five), Adam and Eve would have renounced the Golden Delicious forever.

But then it's all a matter of taste. And Acapulco is very much to the taste of the North Americans who have helped to make it their own luxury Benidorm, a fantasy land in the sun which transforms ordinary men and women into playboys and playgirls for a spell.

It was here that the Mexican Government set up its Tourism Tianguis (market) to show off its national attractions to the world's travel agents and press. The city has the capacity (hotel rooms and conference provision) and the best facilities of any adult adventure playground in the world.

Rambo (aka Sylvester Stallone) has a fortified holiday home here and Howard Hughes, that other American folk hero, rented the penthouse floor of the Acapulco Princess Hotel. Based on the design of a flat-topped Mayan pyramid, the luxury Princess is perhaps the quintessence of Acapulco fantasy: a pleasure palace where you can swim through a waterfall and order your strawberry daquiri from a bar in a cave or walk across a swing bridge to another pool fringed by Rousseauesque foliage.

Hughes, fearful of human contact and obsessed by germs, presumably shunned these pursuits. He could, however, brave the bacilli and stare down the cascading terraces of flowers to the teeming reception area below. With its vast circular carpet, curving stairs and babbling brook, it looks from the penthouse floor like an animated Tibetan prayer wheel.

But to see Acapulco at its best you have to leave it, preferably after dark. The Aca-Tiki, which claims to be the world's largest sailing catamaran, is one of several boats offering moonlit cruises round the bay. Dinner, a spirited cabaret by an Argentinian dance troupe, and unlimited drink, left the passengers quite unprepared for the beauty of the scene as they went up on deck. Acapulco's skyscrapers were transformed by night into giant diamante pendants and above them, as if on cue, firework cloudbursts doused the bay with golden rain.

Puerto Vallarta, another Pacific coastal resort visited by Tianguis delegates before the conference, lays its own claims as a paradise of sorts. Quieter and less raunchy than Acapulco, though equally commercial, it so impressed John Huston that he filmed Night of the Iguana there. Richard Burton, his leading man, was even more impressed and set up home here with Liz Taylor. Sitting on the balcony of a Los Tules holiday apartment, looking over the tropical gardens and the pool to the beach beyond, one could see their point.

Strung out along the shore, Los Tules is a series of apartment "villages," each with their own landscaped gardens and pools. Just how many of these units there were I discovered one night when, after a solitary midnight swim, I took a wrong turning and got eerily lost, passing pool after pool (seven in all) in search of my own corner of the complex.

But there is more to Mexico than pools and beaches. There is food (excellent, but come prepared for the *Zapotec Two-step*): there are the prices (low), and the people (warm and attractive), as well as a rich cultural heritage. Guadalajara, the city of eternal spring, is the favourite city of many Mexicans. It is filled with Spanish colonial architecture set in wide avenues lined with jacaranda trees and interspersed with beautiful little plazas and public gardens.

The capital of the state of Jalisco, Guadalajara is the home of tequila and of the rumbustious mariachi music. Appreciation of the latter is enhanced by consumption of the former. Guadalajara is also the setting for the murals of the revolutionary artist Jose Clemente Orozco (1883-1949). The vivid, sometimes lurid, murals depicting struggles against fascism and capitalism have the audacity of graffiti in the elegant setting of the Palacio de Gobierno. Here slavery was abolished by Hidalgo in 1810, an event celebrated by Orozco in dramatic greys and oranges above the grand sweep of the staircase.

The artist also transformed the walls and ceilings of a charming 19th century orphenage the Hospicio Cabanas. Part of the orphanage is now a music school, and a trip through the arched courtyards, gazing up at the hectoring frescoes, can be accompanied by distant, *painful* sawings at a cello or the sweet flurries of a violin. If the mural style is too strident for your taste it is worth visiting the small rooms containing Orozco's drawings: deft and sardonic with mordant echoes of German Expressionism, they are a delight.

As for paradise, the nearest we got to it was Yelapa, a small island two hours by boat from Puerto Vallarta. The crossing was rough, and many of the passengers were seasick, but whoever said getting to paradise was easy? There were palm trees, wide beaches, cold beers, a waterfall, and only a few half-hearted hustlers offering to take your picture with their pet iguana or trying to sell you pecan pie. "Where," despaired a large American travel agent, "can a person go shopping round here?" One woman's paradise is clearly another's purgatory.

TRAVEL DETAILS: American Airlines flights from London to Acapulco start from £630 return; to Guadalajara from £576 and to Puerto Vallarta from £569. All connections at Dallas Ft Worth. British Caledonian flies from London to Dalles and Houston (from £409 and £344 return) where connections with Mexicana, the national Mexican airline, can be mede.

GUIDE BOOK: The Rough Guide to Mexico by John Fisher (£5.95, Routledge and Kegan Paul, 381 pages) provides street plans, invaluable practical information and historical background.

Annalena McAfee

BRIDGE

HANDS which seem quite ordinary can give rise to interesting situations, demanding skill and resource. Here is such a hand from a rubber:

```
          N
        ♠ 10 7 6 4 3
        ♥ 10 7 4
        ♦ A 8 3
        ♣ Q 7
   W               E
♠ 9 8 2         ♠ A J
♥ 8 3           ♥ J 9 6 2
♦ K Q J 7       ♦ 6 5 4
♣ J 8 6 4       ♣ K 10 5 3
          S
        ♠ K Q 5
        ♥ A K Q 5
        ♦ 10 9 2
        ♣ A 9 3
```

South dealt at a love score and bid one heart. North said one spade, South rebid two no trumps — not ideal because of the diamond weakness, but acceptable — and North raised to three. This was quite unjustifiable with only six points and a suit that was not really workable.

Sitting West, I led the diamond king, followed with the queen, and a third diamond was won by dummy's ace. The spade three was returned, and when my partner played the ace, South dropped the five. This was an error — she should have unblocked with one of her honours, on the assumption that the knave would fall on the next round, as East's play might well indicate.

East returned the heart two, South won with the ace, and after cashing her two spade honours and the king and

The forced club return not only gave declarer an extra trick in the suit but gave her access to dummy, to make the spade ten for the ninth trick.

My partner, a good player, could have avoided this fate. After taking his spade ace, he can afford to return a club. That gives the extra trick, but it gives access to dummy when it is of no real advantage. Alternatively, if he leads a heart, he must play the six, not the two. When the declarer plays the king and queen of hearts, he jettisons nine and knave. This gives South an extra heart trick, but now *she* is endplayed, and must go down.

Both sides had a part score of 60 in the first game, when East dealt and bid one spade:

```
          N
        ♠ 10 8 3 2
        ♥ 7 4
        ♦ Q 9 8 4 3
        ♣ 9 4
   W                 E
♠ J 9 5           ♠ K Q 7 6
♥ 8 5             ♥ J 10 3 2
♦ A 7 6           ♦ J 10
♣ K J 10 8 2      ♣ A Q 7
          S
        ♠ A 4
        ♥ A K Q 9 6
        ♦ K 5 2
        ♣ 6 5 3
```

Instead of bidding two hearts, I doubled—partner might have length in one of the minors—and West redoubled. When this was passed to me, I bid two hearts, and West said two spades.

As the opposition was not strong, I bid a flag-flying three hearts. East doubled, and all passed.

The defence ... were poor, but I led a club to the table. West won with the ten, and led a heart, on which East played the knave, which I felt sure was a false card, and I won with the queen.

East won a second club with his queen, cashed the spade king, then led the ace of clubs to make dummy ruff, and so protect his trumps from finesse. I returned a diamond from the table to the ten, king, and ace. West won, though she should have ducked. She now made a bad error by leading the spade nine, covered by ten and queen, and ruffed in hand. Not only did this set up the spade eight as a winner, but it reduced my trumps and prepared for a coup position. I played the ace of hearts, entered dummy with the diamond queen, and played a good spade, discarding my diamond. Now a diamond from dummy caught East in a trump coup.

E. P. C. Cotter

CHESS

THE THIRD world title match between Gary Kasparov, 23, and Anatoly Karpov, 35, starts tomorrow with a resplendent opening gala sponsored by merchant bankers Duncan Lawrie who also back the England Olympiad team. During the evening at the Park Lane Hotel, K and K will draw lots to decide who plays White in Monday's opening game of the series of 24. Half the match takes place in London, the rest in Leningrad. ... adjournments on the following days and Sundays free. Front and middle spectator seats are bookable in advance, and rear seats will be available on the day of the game. Demand may be high for the first few games, so it will be worth checking with the match office (491 1747) before you set out. ITV will screen programmes three nights a week, while BBC2 will have a weekly series.

Facilities for spectators include grandmaster running commentaries by earphone, instantly updated video screens, and simultaneous displays by experts. The match should be well worth a visit, though note that each grandmaster is entitled to up to three timeouts and these may well be taken on the day after a bad defeat.

K and K are clearly the two best players in the world on results and ratings, and both are currently in peak form. Since their 1985 series Kasparov has beaten Timman and Miles in matches, while Karpov has won major tournaments at Brussels and Bugojno. The contrast in style between Kasparov the imaginative young tactician who likes to live on a knife-edge, and Karpov, the patient strategist and record winner of tournament first prizes, created some fascinating chess last year and should do so again. Save & Prosper has donated £10,000 as an award for the most brilliant game.

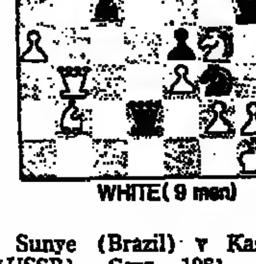
The prize fund of £300,000 for the London half of the match, which in theory will be equalled by Leningrad, comes from the ... 37½ per cent to the loser of the overall series. But Kasparov announced some weeks ago that he would be donating his prize to the Chernobyl disaster fund, and after a few days hesitation Karpov followed suit.

Who will win the championship? In their controversial 1984-85 series, Karpov led 4-0 after only nine games, was 5-1 up after 46 games, then lost two in a row before FIDE President Campomanes declared the match "ended without decision." In autumn 1985, Karpov led 2-1 after ten games but lost his title 3-5 after 24. For 1986 they are again playing the best of 24 with the proviso that the match is over if one side earlier wins six games; while the holder keeps his title if they are level in wins after the full 24 games.

It is clear that Karpov has been strong in the first part of their matches but, as the older man with frailer physique, his stamina is suspect. Given that there is unlikely to be more than three or four points between them after the 24 games, it is a significant disadvantage for Karpov that this time he needs to finish ahead rather than just level. Kasparov is the favourite, and the choice of most grandmasters and commentators. Karpov's best chance to upset the odds is to impose his strategic pattern on the games for long enough to build a lead of at least two points, then provoke unforced errors from a frustrated opponent.

World chess title matches began in 1886 when the phlegmatic Wilhelm Steinitz defeated Zukertort. Until 1948 the champions chose their own challengers, with the size of the purse a major determinant, and this led to gaps of up to a decade between challenges as well as several mismatches. FIDE took over the organisation and established a triennial system of worldwide eliminators, but apart from Botvinnik v Smyslov 1954 it often seemed that one contestant was below form. The 1985 K v K match produced what was by general consent the highest overall standard seen in title play, and chess enthusiasts hope that 1986 will follow with at least one memorable brilliancy.

BLACK (10 men)



WHITE (9 men)

Sunye (Brazil) v Kasparov (USSR), Graz 1981. World champion Kasparov's imaginative eye produced this diagram. White, with his king in check, went 1 K-B1 and the puzzle is to decide what would have happened after 1 K-R1. The answer is not easy, and a test of tactical flair.

Solution Page XVI.

Archaeology: **Gerald Cadogan** continues his reports on his latest dig in Cyprus

One the grave robbers missed

KALAVASOS, near Maroni where we are digging, held an unusual village festival last week. It was chaired by the village president and 400 peopla gathered for a combination of instruction and a village party organised with a style and gusto not known in the British countryside for decades.

The first such festival was near Paphos last September. This year there will be three in different parts of Cyprus, and several are planned for next year. Lectures, dinner and dancing are the programme.

Dinner was in the square—lamb, meatballs, potatoes, salad, fruit and drink. The hand played and dancers in traditional dress danced. The Director of Antiquities, Dr Vassos Karageorghis, asked all axcavation directors to join in the *kalamatiano*, if they wanted their permits renewed next year. Later Cypriot gave way to Elvis when even one of the troupe in *vrakes* (breeches) jived.

The evening ended with the raffle. Prizes varied from a dinner for four at the local smart restaurant to a free visit to the village doctor. (The value of that is C$5 my neighhours told me.)

Before tha fun was the serious part, up io the churchyard above the square. Rows of chairs looked set for school prizegiving or a summer party rally, soon after sunset. Tha village presideot could only be persuaded to take it off his white flat cap while addressing the Mioister of Commuoications and Works, Mr Rois Nicolaides, whose mioistry includes the Department of Antiquities.

Five lecturers talked for 10 mioutes each about their digs. Dr Karageorghis abbreviated those in English and French inlo Greek. It was a test of putting thiogs across, which is why I liked the event. We, the outsiders, were talking to locals about local sites in their region.

Dates ranged from Neolithic to Hellenistic times, a span of 8,000 years. What had we found? Why was it important? There was no tima for scholarly prevarication. The villagers have a good idea of what we find. But for the first time it was all being put together, in less than an hour.

I wish I could imagine such an event in Britain: beef, heer aod barrows in Avebury, perhaps. It was an impressive and thoroughly enjoyable way to hear—and impart— archaeology. The audience knaw all loo well the country where the ancients lived. There was every reason to ba proud of what had been found, and to stress the need for reporting finds—and not doing ilicit excavations to try independently to rival the 15 oz of gold jewellery found in a tomb at Kalavasos in 1984.

For the Maroni team it was good to see the finds from a building as graod as onrs at Kalavasos built over the tomb with the gold. Its date is the same (about 1250 BC). Its ashlar (finely dressed limestone) architecture is better preserved, hecausa it has heen robhed less—though some want to a Roman hilltop settlement across the valley. More important is that explanations of wby new circumstances made these two imposing buildings necessary in adjacent river valleys must hold in both places. At present, we see that hoth controlled their towns and food (olives and olive oil) and copper and hronze working and supply.

The plan of our grand ashlar buildiog at Maroni grows fast. The oorth end turns out to be divided into small rooms, with a floor which rose through accumulation of debris: something we have not found elsewhere in the building. There is much fallen plaster, a hearth with animal bones, copper furnace lumps and some loomweights. The loomweights beld the threads taut on vertical looms. They are of clay and several have incised signs, whose meaning is still a mystery.

With loomweights one looks for concentrations to know where the loom was. In the loomweight basement io the palace of Knossos there were over 400 of them. We do not have anything like so many. But we are finding more carbonised olive pips and more shards of vases imported from Mycenaean Greece, possibly in exchange for Cypriot copper. A tantalising fragmcot is from a 14th century BC krater (mixiog bowl for wine and water) with part of a chariot procession scene on it. Cypriots loved to he huried with these vases, which came from the Argolid (where the originals of such scenes could have been wall paintings).

We have had several fragmants, but nothing to rival the whole krater from Maroni In the British Museum obtained in 1898. There are also fragments from Maroni at the BM. I nourish a hope that one day I shall be able to take drawings of our fragments to Great Russell Street and find they join BM pieces. It is not an utterly silly idea.

Pits never stop appearing. They are cut down from the surface and ara large and deep, the work of the BM team and others when looking for tombs. Yet another pit cama up today. The deep shaft goes down to a chamber and we are clearing it out dlligently. But we are too late. It is surely robhed. The consolation is a sneak preview of the stratigraphy which the pit has cut through—a great help in deciding what to dig next.

But we have had good luck in an unrobbed tomh 500m away where a major water pipeline (the southern conveyor) is being put through. The 2m wide gulp of the bulldozer lifted a whole unrobbed tomb, probably of the 14th century. We spotted human bones and sherds on the dump, and have spent many days combing it and sieving it. The result has been a fine haul of bowls, jugs, juglets (some of the type that seems to have been used for opium), many bones and a bronze ring.

Sifting and sorting: progress at the Maroni dig

Wine

Dreary Victoria values

THE BIGGEST chain of high street off-licences, Victoria Wine — with more than 850 branches—has arranged a tasting of its 15 most popular wines. It provided an interesting insight into the current public taste in wine.

There is an overwhelming preference for white wines here in Britain—65 per cent, as against 30 per cent red and 5 per ceot rosé—so it was not surprising that there were only two red wincs among the 15, most of which bore Victoria Wine's own label.

Nor was it surprising that in terms of volume sale its Liebfraumilch 1984 (£2.29) came top: a medium-sweet, grapey wine with a touch of *spritz*. Not my taste, but I have tasted many Liebfraumilch that were less so. I much preferred the French Dry White (£1.99) that came second: clear, fruity and dry. The third, tha first red, was the equivalent French Full Dry Red (£1.99), slightly sweet, soft, not much behind it, but easy drinking. Said to have come from Corsica.

The preference for white wines reasserted itself for the next five in the list, led by the Yugoslav Laski Riesling (£1.99) which I found heavy, as if it had undergone some concentration. Then followed Soave (£1.99), heavy-footed and sulphury like so many of them.

Number six was the widely publicised Piat d'Or Blanc (£2.89). I had not come upon it before, but I thought it clumsy, lacking freshness, slightly sweet (as intended), with a somewhat "chemical" taste. I much preferred, at number eight the Victoria Wine's Medium-Dry White (£1.99), for though it lacked a little acidity, it really was medium-dry, and better value for mooey.

The seventh wioe, Grants of St James's Lambrusco Bianco (£2.39) I found difficult to comment on, as the sweet, fizzy white wioe does not appeal to me. It captured the American market for a number of years, until the even less alcoholic "coolers" attracted the volatile American drinking public. In this class I preferred the Piemontelo (£2.29) a sweet Muscat wine, slightly frizzante, but with a little more character.

The secood red wine listed, in 9th place, was the Piat d'Or Rouga (£2.89), and I found this disappointing too, with a distinctly swaetened flavour: a very commercial wine that demoostrates the power of advertising.

The 12th was another hock, the Grune Kanne Liebfraumilch '84 (£3.49 a litre), which was sweeter than the other one, with less acidity, but a fair party wine. Then Grants' of St James' Anjou Rosé (£2.29), typically fairly sweet, without much character, but a pleasant summer drink, well chilled. Even sweeter, of course, was the Moscat Spumante (£2.79), but good value for those addicted to Muscat wines. Finally, the Victoria Wine claret suffered probably from lack of bottle-age, as it was distinctly green.

I cannot pretend to have been enthusiastic about most of these wines, but such is the competitioo at the down-market end of the high street wine trade that selection is nearly always dominated by price. On the £1.99 70 cl bottle of wine, the duty and VAT amount to nearly 91p, which does not leave much for the wine, the bottle, the transport and the profit margin. You get what you pay for—and it is worth paying rather more.

This was shown by a small accompanying tasting of Victoria Wine's lesser clarets and Rhônes: not all wonderful, but in a different wine world. The Ch La Tonnelle, Côtes da Blaya 1982 (£3.75) had a good clear colour, and an attractively plummy bouquet and flavour; an agreeable, already drinkahle claret of a good year. Tha Ch Malartic, Bordeaux Supérieur 1981 (£3.45) was very closed-up tannic and bard to taste, hut may come round in a couple of years' time. The Ch de Jayle, Bordeaux 1981 (£3.45) had an attractive "clovey" nose and flavour: mnch more ready to drink with pleasure. But the best for me was Ch La Maine, Graves 1981 (£3.85), with a fine colour and aroma, combined with a touch of Graves dryness end elegance.

Of the three Côtes du Rhônes the Las Pas du Meunier 1982 (£3.29) offered a "raspberry" bouqoet, a fairly light flavour and easy drinking, but the Cuvée de Deux Perdreaux—1982 (£3.45) was much richer and fuller-bodied, though less forthcoming at the moment; better if one waits a little before drawing the cork. This was even more the case with the Domaine de Beaurenard 1982, harder, more withdrawn, but fruitier, with more character when it opened out in the glass. Low-level low-price Côtes du Rhônes are rather heavy plodding wines and you do not have to pay that much more for really enjoyable red wines.

Edmund Penning-Rowsell

Cookery

White and light

Anne Morrow

IN SUMMER my taste for red meat diminishes. As the temperature creeps up I find the lighter taste of white poultry suits me better and fish seems more appealing than ever.

Chicken carcasses and fish heads and bones in plentiful supply mean that stock-making becomes a frequent and routine ritual at this time of year with the happy result that good home-made stock is pretty well permanently on tap.

Making stock is really no trouble for the cook. It can be done in the cool of the evening and you need only to give an occasional glance at the pot as it bubbles away quietly in a corner of the kitchen.

What little effort you put into making stock is rewarded one hundredfold: the difference good stock can make to cooking is really revealing. If you don't believe me, try making the same recipe on consecutive days, once using a stock cube and once using the real McCoy.

The simpler the dish the more the quality of the stock is shown up. Really good stock is well worth serving as a broth in its own right. Soothing, nourishing and deliciously pure, it makes an admirable first course for dinner—and with small embellishments you can create soups galore.

As with omelette fillings and additions to basic risotto, which are best treated as little more than a garnish, so should the embellishment of stock be small in quantity.

If the broth is to be served hot, I might add the finishing touch of a scant spoonful of stelline (miniature pasta shapes purpose made for soups), or just one raw scallop of mushroom sliced waler thin, or the astringent orange petals from a single pot marigold. If the weather plays fair, I might serve the broth chilled to a soft jelly, topped with a soupçon of soured cream and a scattering of fresh green herbs or a few salty-sweet prawns.

The recipes which follow are for more substantial soups. They are just right, I think, for serving as light lunch dishes in their own right, with good bread on the side and fresh fruit to follow.

EGYPTIAN SALAD SOUP
(serves 4)

The leaves and seeds of coriander make this soup deliciously aromatic, but I think it is a mistake to use much of either.

½ pt good chicken or fish stock; generous 1 lb tomatoes; half a large cucumber; 1 tub Greek ewe's milk yoghurt or generous ½ pt low fat yoghurt; 1 hard-boiled egg; a few coriander leaves and seeds; cumin seeds; salt and coarsely ground black pepper.

Skin all the tomatoes. Cut half of them into quarters and scoop out the seeds and pulp. Reserve the tomato shells. Put the tomato pulp and seeds into a food processor or blender together with about a tablespoon of roughly chopped fresh coriander leaves. Whizz to a purée. Add the whole tomatoes and whizz again. Gradually blend in the cold stock then the yoghurt.

Cut the reserved tomato shells into dice. Seed the cucumber, but do not peel it, and cut the flesh into dice—about the same size as the tomato dice. Mix the two vegetables together, season them with plenty of salt and freshly ground black pepper and stir them into the soup. Cover and chill for several hours.

To make the garnish, put 1 heaped teaspoon each coriander and cumin seeds into a small frying pan and toast over medium-low heat until the spices are aromatic. Pound the seeds lightly with mortar and pestle and mix them with the chopped hard-boiled egg.

Check the soup for seasoning and add extra stock or yoghurt to taste. Serve the soup in well chilled soup bowls and garnish each with a sprinkling of the egg and spice mixture and with a few coarsely chopped coriander leaves.

SATIN SOUP
(serves 3-4)

The ingredients list and method use chicken stock and chicken meat but fish stock and firm flakes of delicately cooked fish can be used for this attractive soup if you prefer.

1½ pt good chicken stock; about ½ teaspoon mild curry powder or paste; ½ pt creamy yoghurt (Greek strained yoghurt for preference); 1 lemon; 4-5 oz white grapes, 2-3 oz cooked, skinned and boned chicken meat (optional): a few fresh mint leaves (optional).

Put the curry powder or paste into a saucepan. Cream into it a little of the chicken stock then pour on the rest. Add a little grated lemon zest and a teaspoon or so of lemon juice. Bring very slowly to simmering point, just stirring occasionally. Draw the pan to one side, cover it and leave until almost cold.

Strain the liquid through a muslin-lined sieve to extract spicy sediment and lemon zest, then beat it gradually into the chilled yoghurt. Check seasoning and add salt, pepper, more lemon and/or spices to taste. Aim for a cool creamy spiced effect, not a "curried" taste.

Chill the soup well before serving. (If good jellied stock was used to make the soup, the soup will set to a soft jelly if refrigerated for several hours so you may need to whizz it in a blender again just before serving to give it good spooning consistency. I sometimes add 4 or 5 tablespoons unjellied stock or water at this stage.)

Serve the soup in well chilled soup plates or cups, into each of which you have placed a few freshly peeled, halved and pipped grapes, plus perhaps a few slivers of chicken meat—breast meat for preference—and fresh mint leaves.

Philippa Davenport

Gardening

Wilder flights of fancy that

Robin Lane Fox finds strange portents and takes an academic interest in their meaning

ANIMAL fables are out of fashion; nowadays, no one thinks that birds and bees can prophecy. The animal kingdom is not to be confused with humans. Yet, in the past few weeks I have begun to wonder. Portents are appearing everywhere and perhaps you can help me to read them correctly.

They centre on my university; more particularly, on the Oxford college where I oversee the gardens. You might think it is a peaceful time of year. The exams are over, the undergraduates have been crammed into classes, the Government will be giving us our stars for achievement in the coming week, while the public thinks we are all doing nothing.

In the garden, there is no respite. The colours of our long border need rethinking; I am planning to abolish bedding-out beneath the chapel; and there is the continuing problem of the brown rings on the lawns caused by undergraduates who hold little tea parties in the open, and put hot teapots on the grass.

It would be a time for these problems, if the animal kingdom's portents were not so worrying. The trouble began in the high winds last spring. A gale caused one of our elderly fellows to keel over, a fine old chestnut who had been guarding one entrance through Oxford's City Wall. His collapse brought on to the premises a tree doctor, who promptly ordered that a second fellow would have to be phased out, too, another chestnut who had been guarding another entrance through the wall. Admittedly, he had sprouted some academic fungus just below his waistline. He had also been pronounced entirely healthy by a tree surgeon only six months before. Inevitably, his hour had come.

Reluctantly, we agreed to make a cut. We handed the job to executive experts and realised privately that it would end in total destruction; once the rot gets into an elderly fellow, there is no point in stopping halfway. We would not have stopped had there not been unexpected life in the old boy.

Halfway down the tree trunk, as the chain-saw was taking a rest, the air was broken by frantic sounds. Out from the bark flew a pair of nuthatches, parents of a young and immobile family. The nuthatch, says my bird book, is a "shy, unassuming character, inconspicuous in his surroundings and gifted at entering his habitat through a back route unobserved." Nuthatches, are admirably suited to academic life. They are also a protected species, so the cut had to stop while the nuthatches sorted out their problems.

At first, they seemed delighted that the older wood above them had been hacked out. They flew to and fro with renewed vigour, squeaking, fluttering and bursting with intellectual energy. Then, one Sunday they decamped with their entire family. Enough was enough; they were seen flying westwards, as if to cross the Atlantic. If there are elderly chestnuts in Princeton or California, please check them for nut hatches in about a month's time.

Down came the rest of the chestnut and I had the pleasure of fingering dead academic wood: it has the texture of squashy papier mache. While I was squeezing it, the omens took a more sinister turn. Colleges, of course, are hives of activity, but one lantern in the middle of ours became the sudden support for a bee swarm. There, the bees dangled like a bunch of grapes while the outer members detached themselves, threatening anyone who tried to pass between them to life's two essentials—the lavatory and the stairs to the don's dining room.

Bees are only bees, you might think, but a swarm is different. It occurs when one part of a hive becomes dissatisfied with the other. Away they swarm round the elderly queen who is their figurehead. They hover, undecided, while their members try to work out which way to go.

While they dangle, they are indulging in a pattern which is now described as voting. The outer members buzz off and look for possible new homes; then, they return and dance in order to attract support for their particular location. The masses buzz their reaction; their rivals start their own dance. Eventually, a bee-consensus emerges and the swarm unites behind its queen and a new direction.

True, we in Oxford are always voting and perhaps our debates, like everyone else's do at times, resemble this type of bee-dance. We have also recently changed our leader, but harmony prevails and I cannot think that the omen concerns that. Rather, I note from their stings that the bees are busy members of the European breed. The zoologists also tell me they are all females.

There are various ways of dealing with swarms; one suggestion was that we should all clang a loud gong beneath them until the bees could be captured. Nobody found a gong before the bees swarmed off in a new consensus. There were reports that they had considered heading for the new centre of engineering and science but, being females, they probably opted for English Lit. and a library, instead.

Personally, I am on the side of the nuthatch; what, though, does it know that I do not and why exactly has it gone west? Did it know that the future lies with busy swarming females, avidly checking their options before voting on this or that? What is the significance of this split in the academic hive, and a rival queen among a multitude of bee-minded voters? First, the cuts; then the signs of new decision; it might well be that my plans to replace the bedding plants will have to be postponed for another year.

How to avoid peony dreadfuls

LATE July might seem an odd time to write about peonies since they are not in flower. Nor is it time to plant them unless obtained, well established, in containers.

I do so for two reasons. The first is that twice in recent weeks, when visiting gardens, I have been pulled up in my stride by peonies that were not in bloom; the second because I have just seen the Bressingham Garden Centre in Norfolk and came away with as fine a plant as Japanese tree peony as you could wish to see, one of a range of Japanese varieties that Bressingham has been featuring these past few years.

What so caught my eye in the two private gardens was the beauty of the foliage and seed pods. In one, the species was Paeonia mlokosewitchii, a lovely Chinese plant that I know well and have long been recommending for its flowers and foliage. It is herbaceous but differs from all others of this type in having primrose yellow flowers. They are large and goblet shaped with a central tuft of golden anthers, and the leaves are a delightfully cool and restful grey-green covered in short, soft down. The fat three-parted seed pods displayed well above the leaves match them in colour.

Although this has always been a connoisseur's plant and relatively unknown to the general gardening public, there is no reason, other than its impossible name, why this should be so. It is easy to grow and someone should really break all the botanical rules and give it an English name that everyone could remember and pronounce.

I was amused to meet it again a week or so later in a Somerset garden and to be introduced to it by the owner with a perfect rendering of its name. When I complimented him on this, he replied: "Oh, I have to practice that name because every visitor asks about the plant."

Paeonia mlokosewitchii, although unlikely to be in the average nursery or garden centre, is not difficult to buy from specialists like Kelways of Langport or Bressingham Gardens.

The other peony that so impressed me with the beauty of its foliage and seed pods seems impossible to find in any ... me, although I must have read its name in erudite garden books such as Graham Thomas's excellent *Perennial Garden Plants* (published by Dent). It comes from the Balearic Islands and is called Paeonia cambessedesii. It is another herbaceous kind and, I am told, has fairly ordinary rose pink flowers, but the stems and seed pods are crimson and the leaves a very

deep green. Thomas describes it as "for picksome people," a curious phrase but I know exactly what he means.

Should you have an overwhelming desire to possess it, I can only suggest that you try to be in London on one of those days late in April or early June when Walpole House in Chiswick Mall is open to the public in aid of the National Gardens Scheme; for that was where I saw it and its owner, J. H. Walpole, sold me a packet of five fat seeds for a very modest price. He collects them and other seeds to sell for charity ... Chiswick Eyot in a setting as rural as any Sussex village, yet only one street removed from the roaring traffic of the Great West Road. Next door is Strawberry House, home of the Countess of Rothes, with another exquisite garden and plants, not seeds, for sale. Both gardens are open on the same day.

And so to Diss and the Bressingham Garden Centre, which opened last year and is already a huge success. Here, people can buy in containers most of the plants that have delighted them in the Bressingham exhibits at Chelsea, Liverpool and other places. Of course, you could always get them by mail order from Bressingham Gardens; but at the new centre you can get bigger plants well established in containers for planting at any time of year. You can choose your own, picking (if you are wise) those with the most branches or stems, not necessarily the most flowers—these can come later when the plants are established in your own garden.

That is precisely what I did, having previously failed to establish a tree peony sent to me by carrier. I chose one named Shifukujin (translated as the Seven Gods of Fortune), not because the label described it as having mammoth, nearly fully double light carmine flowers but because it had closely packed shoots sprouting all up the main stem beneath a good canopy of leaves.

Blooms of Bressingham imports these plants direct from Japan, where they are grafted onto the roots of the herbaceous Paeonia lactiflora ... make roots of its own above those of the herbaceous peony and that this will make it a much more permanent and vigorous shrub.

At Walpole House I was shown a fine old plant of a tree peony that had been grown from a division, a reminder that some forms of the plant do form suckers freely. It might be possible to raise a race of tree peonies with this characteristic, which could then be reproduced cheaply and reliably by detaching rooted suckers. It could change the future of these beautiful shrubs as garden plants.

There is a contradiction in the Bressingham plant labels for tree peonies that requires some explanation. The wording reads "Protect from spring frosts. All varieties are fully hardy." We are back at our old difficulty about the meaning of hardiness.

The woody stems of these tree peonies probably are proof against any cold likely to be experienced in Britain, but the young growth is certainly not and can be damaged severely by spring frost. In China, no doubt, the seasons are demarcated clearly and tree peonies remain dormant until all danger of frost is over. In Britain it is quite different. Alternating spells of mild and cold weather encourage premature growth, sometimes with disastrous results.

So you have the paradox that tree peonies may seem hardier in cold than in mild districts. Certainly, they should be kept out of those sheltered hollows in which cold air can collect ...

Professionals offer plain horse sense

Country Notes

PEOPLE keep asking me how to prevent their daughter's pony paddock from becoming a jungle of weeds and rank grasses interspersed by small patches of grass grazed into the very soil. There is no easy answer. It is all to do with the physiology, and perhaps the psychology, of the equine species.

Cattle and sheep have only front teeth on their lower jaws and bite on to a pad on the upper. Horses have matching top and bottom sets, which means that they can graze much shorter than can other herbivores. A horse's bite can be quite nasty and is used as a weapon of defence or offence. Horses will sometimes attack tree bark and can make quite a mess of ornamental trees, twigs but seldom attack the bark.

The first rule for a horse paddock is to make sure that the live hedge is protected by wire or a post-and-rail fence to ensure that the animal doesn't eat its way out. It is a duty in law for every animal owner to fence against his own stock.

Horses are very dainty feeders. They don't like eating grass where they have dunged, so they stick to small areas which they have kept tightly grazed. The best studs employ people to pick up the horse dung for disposal elsewhere.

... farm house and mixed them with sheep and calves. I controlled the pasture growth with the stocking rates and found that the horses did not mind grazing the mixed sward.

But occasionally a horse — or more often a pony — develops aggressive tendencies towards other livestock, picking up calves and lambs by the scruff of the neck and galloping around with them, or trampling lambs to death.

On ungrazed portions of the paddock the dung is much to the liking of the annual and perennial weeds. Sprays will kill many common weeds but ... easily drift and murder someone else's roses or cabbage patch.

If I were maintaining a good horse paddock I would institute regular cutting with a gang mower so that the weeds never go to seed and this would have the added benefit of scattering the dung. However, it is doubtful if offspring can be persuaded to do all the hard work needed to keep the paddock tidy.

My advice to anyone contemplating a pony paddock would be to invest the purchase capital to provide an income to which should be added the estimated maintenance cost either with your own or hired labour. Then find a stable where it could be looked after by professionals. It would probably save a lot of money, trouble and strife.

Financial Times Saturday July 26 1986

• DIVERSIONS •

'The wrinkle is a goddam serious disease. The anguish wrinkles cause is worse than heart disease. Who gets up every morning and worries about cancer? But everyone worries regularly about wrinkles'

Read between the lines

Lucia van der Post

HOW TO SPEND IT

BEAUTY treatments used to be devised by poets. Remember Ovid's far from alluring-sounding potion, designed to make a woman's face "glow, smoother than her mirror?" Barley softened in heaten eggs, pulverised with stag horn, narcissus bulbs crushed to pulp all mixed together with spume of red niter (whatever that might be). Today, except for that dwindling band of women who use nothing but soap and water, our complexions are in the hands of the cosmetic houses, who could have taught Ovid a thing or two about imaginative ways with words.

The difficulty today for an ordinary woman just hoping to try and look her best is that she is spoiled for choice. Faced with the average beauty counter, piled high with enticingly packaged pots full of promise, where do you start?

What has made it so much harder to decide is the arrival on the scene of a new breed of hi-tech products. The white-coated men in secret laboratories have taken over from alluring women like Helena Rubinstein and Elizabeth Arden who headed the old-style empires selling glamour and gloss. Today cell rejuvenation, free radicals, DNA and anti-ageing are the buzz words. It's all very serious stuff.

This has been sparked off by a growing awareness that the prize for the cosmetic house that can really crack the problem of ageing skin will be stupendous. As we all go on living longer, health and beauty have become major preoccupations for men as well as women.

Some may think such concerns frivolous but even Dr Albert Kligman, professor of Dermatology at the University of Pennsylvania School of Medicine and not universally loved by the cosmetic houses, thinks ageing skin a very valid worry. "The wrinkle," he says, "is a goddam serious disease. The anguish wrinkles cause is worse than heart disease. Do you know anybody who gets up every morning and worries about cancer? But everyone worries regularly about dry skin and wrinkles."

The causes of ageing have long been identified (damage from UV rays, A and B, hereditary factors, drink, diet, smoking, pollution) and there are some quite simple ways of keeping it at bay. To quote Dr Kligman again: "If you wanted to keep your skin as young as it was on the day that you were born, ideally you'd wear a total sunblock and smear yourself in petrolatum (that is Vaseline)." The trouble with that advice is that it's fairly anti-social and it certainly isn't sexy.

What many of the cosmetic companies have done is to provide us with much more aesthetic ways of doing the same thing and there is a whole raft of products that will keep out the sun and give the same sort of protection as Vaseline.

The other trouble is that most of us have been systematically abusing our skin for years (the anti-sun lobby is fairly new) and much recent research has focused on how to repair damage already done.

The first serious products aimed at dealing with damaged skin emerged about eight years ago and these could broadly be called the ones based on cellular renewal (La Prairie brought out the first one, since then we've had Elizabeth Arden's Millenium, Vichy's Vichyderm, Lancôme's Progrès, Estée Lauder's Night Repair Cellular Recovery Complex and many more). The theory behind these is that if you can repair a damaged cell before it dies it has the chance of multiplying (cells multiply by dividing in two, those two then divide into four and so on). As a significant difference between younger skin and older skin is the rate at which cells renew themselves, a treatment that could encourage cellular renewal should result in a younger looking skin.

There seems no doubt that these products work and there is many e woman who today wouldn't be without them. Even the redoubtahle Dr Kligman admits that they work but he has reservations as to the long-term effects. He believes (but has not definitely proven) they work by causing minute, sub-clinical irritation, that this irritation leads to a slight oedema or swelling, which causes the skin to look plumper and thus younger.

The cosmetic companies, needless to say, dispute this. They point out that so far there is only very non-specific research and that no company with an international reputation at stake would dream of putting on the market anything that they knew caused damage. Ball in Dr Kligman's court.

After the cellular renewal "break-through" came the serums—these are based on similar notions of stimulating cell renewal but are not designed for continuous use. They are described as "holidays" for the skin, shock treatments to revitalise it and you dip in and out of them when the skin seems in need of a tonic. Most houses have a serum to offer—Clarins has its Double Serum Multi-Regenerant (£32.50) which is a particularly good one.

This summer's hullabaloo has, of course, centred round Glycel, the range endorsed by Dr Christiaan Barnard of heart surgeon fame, claiming to be the key to "skin rejuvenation." From the palmed expressions in the beauty world it is obvious that the consensus is that Glycel has pulled off one massive, undeserved publicity coup.

As one knowledgeable expert in the beauty field said wearily: "While it is a perfectly efficacious cream there is nothing new about it. The active ingredients may be slightly different but it is based on the same technology that is behind the cellular renewal creams that have been around for years." At £150 for an introductory facial kit of five products I guess most people were hoping for something more exciting.

What really does seem to represent a break-through and is causing much excitement are two new products due to land on the shelves in September, just in time to catch the post-holiday "keep-up-the-good-work" euphoria. Dior and Lancôme are launching Capture and Niosome respectively, products that are based on years of serious research (much of which has profound implications for cancer research) the core of which is a breakthrough in transporting rejuvenating ingredients into the epidermis. For years there have been marvellous ingredients around but they have sat on the surface of the skin—helping them to break through the cell's membrane was the challenge.

In their different ways Dior and Lancôme seem to have cracked it. Dior uses substances called liposomes to transport phospholipids into the cell itself.

As the liposome molecule goes on its merry way down through the dermis, it discharges its anti-ageing ingredients into the cells. In its press pack Dior provides impressive evidence of tests carried out in the US and in Japan, which point to reductions in wrinkle depth, improved texture and thickness of skin (old skin tends to be thinner skin) and improved "luminosity."

The Lancôme system uses roughly the same technology except that in this case the transporter itself (the "motorcar" carrying the active ingredients) has the same structure as the epidermis and once it has carried its anti-ageing ingredients into the cell it becomes absorbed into the intercellular gaps, filling in the pockets caused by ageing. The Dior transporter seems to "self-destruct."

Dior's Capture will sell at £39 for a 30ml pot, Lancôme's Niosome (endorsed incidentally by Dr Kligman who likes it because he tells me "it is a very innocent cream, it is non-toxic and has no inflammatory action") will sell at £13.50 for a 30ml pot.

For these new breakthroughs you'll have to wait until September 1—what can you do in the meantime? Above all, protect your skin from UVA and B rays. Most companies now have moisturisers that will filter them out. Keep your skin scrupulously clean—many beauty houses suggest ex-foliating (getting rid of the dead cells that sit on the surface) about once a week.

If you've got a skin which tends to be oily, especially in this humid weather, there are oil-free moisturisers—Clinique do a good one. If you're dehydrated, use of moisturiser, if wrinkles are on the way but not yet settled use a product like Lancôme's Progrès, if you can already see the wrinkles you need Progrès Intensif Rides.

There are no doubt some sceptics still unconvinced, still believing it is all no more than a confidence trick, designed to play on women's insecurities and part them from their hard-earned money. Me, I prefer the evidence I see all around me, which is that those who take trouble, look an awful lot better than those who don't.

●

The scientific evidence backing both Capture and Niosome seems very impressive. What many readers will want to know, though, is—what do those who have used it think? I've asked some colleagues to volunteer themselves as guinea-pigs and will report back in a few weeks time. Watch this space.

SOME of the totems of youth culture on show in the Boilerhouse's latest exhibition, British Youth Culture. Left: Dr Martens boots and shoes, originally devised as an orthopaedic aid, became an enduring part of teenage style—authentically working-class, comfortable and affordable. Right: leather jackets besides offering protection from the weather became symbols of rebellion and non-conformity. When Marlon Brando wore a black leather jacket in "The Wild One" the association between bikes, leather and bad boys become inextricably linked. For the mods, who scorned the rockers' bikes and leather jackets as dirty and old-fashioned, the Lambretta, originally designed for the newly mobile workers of the Italian recostruzione, seemed to meet their needs. Levis, olive green parkas and Hush Puppy shoes become standard mod wear for riding the Lambretta. The "Edwardian Look," misappropriated by the Teds in their search for sartorial significance was typically mixed with elements of cowboy style.

When you're young at Art

THE LAST of the Boilerhouse exhibitions in their present home at the Victoria and Albert Museum opened this week. Its title, British Youth Culture, sounds rather like somebody's dusty thesis but it is, in fact, a typical Stephen Bayley production—lively and provocative, bound to raise eyebrows if not hackles, but never a dull moment.

The problem with looking at something as potentially enormous as British Youth Culture is that we have all heen young once (although you will be interested to know that, according to the introduction, nobody before 1939 had a youth—"youth is something new, a product of the surge in mass culture after the Second World War") and, therefore, the matter is something to which we can all relate.

When it comes to Dieter Rams' exquisitely logical solutions for Braun or the evolution of popular taste most of us are prepared to accept the Bayley view—or, at least, give him the benefit of the doubt. When it comes to youth, we all have a view.

What we have here is youth treated as some ghetto specimen, as a quite separate part of the human race, defined almost solely in terms of spending power and consumer patterns This is youth where the most meaningful moment comes when a purchase is made. This vision of a world where "meaning, no longer confined to art and literature, was transferred to patterns of consumption" is not one I recognise.

What people buy and when is of considerable interest (particularly, of course, to those who wish to sell them things) and I am sure its study has a genuine sociological role to play. But am I alone in finding its significance over-played?

A certain Eugene Gilbert seems to have been largely to blame. He it was, Helen Rees tells us, who, while still a teenager himself, "invented" the notion of the teenager—before that they were merely the young. While but a 19-year-old Eugene Gilbert made a fortune from his little *apercu.* He set up shop as Gil-Bert Teenage Services, offering insider information on how to sell more goods more efficiently to fellow inhabitants of his teenage ghetto. Today it would be called niche marketing.

This particular niche, however, is one that advertisers and manufacturers, it seems, are having increasing difficulty in reaching—its moods and sensitivity make it a curiously unreliable source of revenue. Perhaps, I offer the thought, it is an outdated notion? All those centuries we got by quite happily without teenagers—maybe, like the dinosaur, they've outlived their usefulness and they've rejoined the rest of the human race as . . . simply people.

This is not to say that some of the objects identified as belonging to the youth cult are not of extraordinary interest, or that the essays (by Helen Rees) do not have some very illuminating things to say.

Like all of Bayley's enterprises, it has verve and vivacity; and to keep our interest in an area where all about us are losing it is to say a very great deal. He has managed, in his years at the Boilerhouse, to take a subject as potentially stodgy as design (which has a quite remarkable facility for turning-off otherwise upright citizens) and make it into quite a hot potato.

The reincarnated version of the Boilerhouse is scheduled to re-open sometime in 1989. What in the meantime shall we do for hot potatoes?

● *British Youth Culture is on at the Victoria and Albert Museum, London SW7, until August 31.*

L.v.d.P.

Collecting

Upmarket bag ladies rule OK

A NEW category of items has recently crept into the London auctions of costume and textiles: luggage containers of outstanding quality. In their sale of July 29, for instance, Christies' South Kensington includes a pigskin zip-up bag, a crocodile suitcase and three trunks made by the firm of Louis Vuitton which are estimated to realise as much as £700 each. Three more Vuitton cabin trunks appear in Christies' costume sale of August 19. It is anyona's guess whether the potential buyers are collectors, or travellers who want quality but cannot afford Bond Street prices.

Although as a collectible old travel baggage presents obvious problems of storage and display, it also provides vivid evidence of changing social and travelling habits. It is indeed surprising that more museums of transport do not display, as an integral part of the incidentals and evolution of travel, the development of the luggage carried by voyagers.

In the stage coach era, trunks were designed to fit the various parts of the vehicle—some for example were devised to do double service as the driver's footrest. Tough iron banding had to withstand the vibrations of rough roads and the domed top characteristic of the period was designed to disperse the rain in bad weather. Natural pony skin with the hair left on to make it more waterproof was a favourite covering.

With the growth of luxury class passenger sea travel in tha 19th century came the development of the flat-topped elaborate wardrobe trunks. Baggage was made to shipping line standards: until the Second World War shops supplied what were called "P & O and Orient Regulation Trunks," with a standard depth of 14 inches, calculated to fit under the cabin berths. There were likewise Pullman standard trunks and cases.

Early in the century a new generation of luggage was developed to strap onto the back or the running boards of motor cars. Meanwhile, the needs of the colonial services bad to be supplied: the 1908 Army and Navy Stores Catalogue lists "Air-tight Uniform Cases for India and China," as well as bullock trunks and mule panniers "as recommended by Lord Wolseley," with their wicker bodies shaped to the flanks of the animal.

The travellers' paraphernalia of eighty years ago were very different from today's carry-on hold-all. The well-to-do thought nothing of travelling with twenty or more pieces of luggage. The Army and Navy supplied containers for every need: dress cases, suit cases, bonnet and hat cases in great variety (including a model specially fitted for a single straw boater), stick cases, shirt cases, collar cases, boot cases, and bullion cases, not to speak of jewel cases for precious stones and *"fin semaine portmonteaux."* They came with names like the Victoria, the Ranelagh, the Colonial, the Westminster, Verslite and Watajoy.

Louis Vuitton was the unchallenged king of baggage makers throughout all this period, and his firm carries on the tradition to this day, with more than fifty shops around the world. In 1837, as a penniless 16-year-old Louis walked from the provinces to Paris, where he was apprenticed to a trunk maker. As a young man he had the job of packing for the Empress Eugenie: and it was said that her crinolines emerged without e crease from the cases in which he had folded them.

Vuitton opened his own manufactory in 1854, initiating a new style of elegant, flat, rational, canvas-covared trunks. By the 1870s he had several royal appointments and a whole display of Exhibition medals; and in 1885 he opened his London branch, which is still at 149 Bond Street. The incomparable Vuitton wardrobe trunk was produced from the mid-1870s.

On his death in 1892, Louis was succeeded by his son Georges. It was Georges, who in 1896, irritated by imitation of his products, introduced the uniform design of canvas covering, with the repeated LV monogram, which has served almost unaltered for 90 years.

Vuitton could always rise to a challenge of a special order. For the African explorer Pierre Savorgnan he supplied a trunk only 27" × 16" × 17" that contained a folding iron bed complete with hair mattress, sheets and blankets. A set of three trunks held the dismantled parts of a tilbury carriage.

Other surviving Vuitton custom jobs include a trunk with individual drawers to hold 56 pairs of shoes, made for Lily Pons; and Leopold Stokowski's travelling trunk, which opened up to reveal bookshelves, special receptacles for documents and scores, typewriter . . . An extravagant dressing case of crocodile lined with sealskin and fitted with gold, crystal and tortoise-shell was exhibited at the 1925 Paris Exposition des Arts Decoratifs and later dedicated to the opera singer Marthe Chenal.

Vuitton has never catered for *hoi polloi.* Rather it exemplifies the Robin Hood character of the few great Bond Street shops, which divert the money of the rich (and perhaps ostentatious) to subsidise and maintain standards traditions of fine and costly craftsmanship which must otherwise wither away. As its contribution to the Bond Street tercentenary celebrations, Vuitton has currently a special display window with a craftsman's bench and all the materials and equipment that contribute to the making of their products.

Those of us who will never be able to shop at Vuitton can if we wish console ourselves with the examples at Christies, shabby with use but unmistakeably distinguished. The earliest of those in the first sale dates from the 1870s, with a very low registration number. (All Vuitton cases carry a number, and owners have a single key which fits every piece of their baggage.) It is covered with striped material, but the original compartments are missing, which is why it is only estimated at £150-250.

The example illustrated was a present to a bride of 1908 from her father. It has all its original fittings and the monogrammed covering material and, clearly with years more service left in it, is estimated to realise between £500 and £700.

Janet Marsh

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A wife vindicated

THE BONDAGE OF LOVE: A LIFE OF MRS SAMUEL TAYLOR COLERIDGE
by Molly Lefebure. Gollancz. £15.95. 237 pages

THIS IS an unsurprising book but not an uninteresting one. Its thesis is clear: the wife of a genius must expect more than her fair share of trouble — particularly if the genius is also an opium addict. The literary gilding in this case is Mrs Coleridge's need for character rehabilitation in the wake of the years of memoirs, letters and biography which have generally accepted her husband's view, endorsed by the earlier impression of the Wordsworths (frère and soeur) that it was intractability, spleen and lack of sensitive understanding in the poet's wife which hastened the poet's tragic decline.

Unsurprisingly this was never the true story. Mrs Coleridge certainly possessed the indomitable character of the Victorian matriarch but she was also extremely well educated, acting as tutor to her own and Robert Southey's children, and additionally had imagination enough to create a fully-fledged nonsense language for the entertainment of her discriminating circle of poets and writers.

Coleridge's expectation of a wife must always have been doomed to disappointment. Before his marriage he repudiated the new Mary Wollstonecraft idea of feminism for the conviction that a wife should be "a compassionate Comforter... innocent and full of love." He also liked to quote Shakespeare's view that it was "the perfection of every woman to be characterless." Sarah Fricker, as she was born, was never that nor, since Coleridge's first demand of her was to leave England and set up a Pantisocratic State of perfect simplicity in America, would a milk and water miss have been very suitable.

The emigration plan which included Sarah's sister, Edith, who married Robert Southey, never came to anything for lack of money and/or organisation but it is intriguing to suppose the author of the Ancient Mariner against a background of the New World. Instead STC (as he liked to be called) and Sara (he took the "h" off her name) found the simple life in a small, unheated, unfurnished cottage whose lack of space and facilities became even less paradisical with the birth of two sons in quick succession. STC, whose brilliance was never disputed and whose charm only failed him under the worst influence of opium addiction, soon found friends, principally with the sympathetic Wordsworths who did not expect him to be a father and wage-earner. Responsibility, it was generally agreed by his friends, caused his sensitive nature such damage that when his son sickened and died during his absence abroad, Sara was persuaded not to inform him of such "disagreeable subjects"—her pathetic words. In the end he did not even return for the funeral.

One of the interesting aspects of Sara Coleridge's character was that, despite this and many other examples of her husband's uncaring behaviour she never ceased to believe in the importance and fundamentally loving nature of their relationship. When he returned from years of miserable wandering, during which time he blamed her for everything possible and even tried at one point to remove the boys into his care—a plan foiled by the Wordsworths with whom he was living at the time—she always welcomed him back. She was, indisputably, as he was not, a survivor.

This, possibly, was the seed of STC's resentment towards his wife, exacerbated by the vindictive distortions of the opium-diseased mind. As a survivor, through the terrible Victorian sagas of death, disease and madness in her most loved friends and relations, Mrs C (as she was finally, fondly known) did have her reward. In old age her husband was restored to her—although, happily, not as far as her place of habitation. Mrs C, rotund and energetic, left the North and her home with the Southeys to live in Hampstead with her beautiful daughter, also called Sara, who married her first cousin, Henry Coleridge. Samuel Taylor Coleridge, not many streets away in Highgate, became an almost regenerate uncle/father-in-law and grandfather—as he had never been father.

Sadly, he left a doppelgönger behind him in the shape of Hartley, his eldest alcoholic son, who inherited his father's addictive personality but only a portion of his talent. Molly Lefebure has constructed a brave, well argued and well-researched defence of a good woman but often, perhaps inevitably, it reads like the drama of Hamlet with the Prince of Denmark mouthing from the wings.


Sara Coleridge . . . maligned by history

Rachel Billington

St Hughstockings

ST HUGH'S: 100 YEARS OF WOMEN'S EDUCATION IN OXFORD.
Edited by Penny Griffin. Macmillan. £17.50. 339 pages

WHEN I was at St Hugh's in the late Fifties, an arcane ritual was enacted at Sunday breakfast in Hall. Various young women ate a hearty meal and then queued up for a second one, which they took back to their room. All official efforts to keep us in had failed to keep our young men out: Saturday night and Sunday morning in St Hugh's could have their delights.

This reminiscence does not appear in this devotedly worthy account of the birth and progress of St Hugh's College, which always had an undeserved reputation among the rest of Oxford for squareness, sportiness and gloom. I had a happy, if academically undistinguished—my fault, not the college's—time there, but like many of the women who have contributed to this book this was due rather to being at Oxford itself than at St Hugh's.

As an account of how a women's college came into being this is sound and, for those of us who already in the Fifties took women's education as a matter of course, a salutary reminder of early struggles. Betty Kemp's contribution follows the early history straightforwardly and, as might be expected, with impeccable scholarship.

Miss Rachel Trickett, my own revered moral tutor, tells with a straight hat the story of the famous "row" involving the redoubtable Miss Jourdain and her erstwhile protege, Miss Jellet, a horrendous fracas which split the college in the 'twenties and which calls for an Ivy Compton-Burnett to do it full justice. This was an event so serious that even in my day it was never referred to in college. Indeed, I was totally unaware of any past scandal.

But the most interesting section of the historical part of the book is composed of collected reminiscences from seven decades submitted in response to a questionnaire. Here again one feels that only a fictional account could do justice to characters such as Miss Rogers, the classics don, with her extraordinary clothes, her devotion to the garden and her complete disregard of the rules of the road, who unsurprisingly met her death riding to a meeting of the archaeological society.

Or there was Miss Gwyer, principal from 1924, whose acerbic wit and sharp intelligence characterise a certain kind of Oxford woman, and certainly seemed to me to embody the tone of the college in my day. Indeed, when I found my daughter this week wearing an exiguous binding of what appeared to be black elastoplast I fell back upon Miss Gwyer's remark when confronted with a tight skirt in the 'thirties: "If Miss X wishes to wear trousers, I do wish she would wear a pair. . ."

Inevitably, in recollections amassed from a self-selected group, there is a certain amount of gush, and many exclamation marks — why, even decades after the event, do we all fall into schoolgirl modes of expression? There is also perhaps a certain over-reverential attitude. But there are good moments, and some effort to set the college in the context of both Oxford and the outside world.

Of course all the battles are not won; the statistics at the end of the book show that far too few of us seem to excel at what we do. We are still far too bound up with the difficulties of balancing jobs, children, husbands; emotional or intellectual priorities are still difficult to reconcile, as many girls who went up to St Hugh's in previous decades have discovered. Whether admitting men to the college will help to balance the atmosphere is an argument still being conducted, even though the battle is now won.

In one sense, the most interesting section of this book is the chapter by Baroness Warnock, who in my day was considered pretty racy for being a don who was actually married and with children. (She has herself admitted elsewhere that her children have sometimes felt that they suffered from what we saw as her heroic juggling of roles—and if she has problems, what chance for the rest of us?)

Her superb demolition of the radical feminist line is totally convincing, her acknowledgment of the continuing problems for women and her alignment with conservative feminism are models of clarity and persuasion. This, one feels, is what it is all about, and this is the way to say it. Most striking is her perception that in a world of shrinking employment prospects, the role of the educated woman is paramount: "Women are peculiarly well fitted to open the eyes of politicians and educationists to the new world of mixed-employment . . . generations of women with their mixed tasks value what they do in quite a different way and distinguish work from non-work quite differently."

The world of St Hugh's has changed dramatically from the days when Miss Proctor looked over the top of her glasses at one of my friends who had, as they say, got herself into trouble and said: "Do I understand that you conceded yourself to this man?" Now the college doctor dishes out the Pill and the ground floor windows are unblocked for ever but even though those old fringe skirmishes are over, the only real serious struggle continues. How do we use our freedom?

Mary Hope

Larger than life

GILBERT KEITH CHESTERTON
by Michael Ffinch. Weidenfeld & Nicolson, £16. 369 pages

George Watson reviews a new biography of G. K. Chesterton

CHESTERTON has been dead for just 50 years. And as a headnote to the new life tells us, C. S. Lewis once predicted that, as with other great writers, it would take half a century for him to be valued at his true worth.

The truth is less dramatic. People have never really stopped reading Chesterton, but it seems no easier than ever to think of him as a great writer, and the difficulties remain after reading this book. A poet himself, Mr Ffinch has withdrawn himself behind his biographical materials to the point of becoming invisible; and though the materials include unpublished letters and notes, they remain so thinly documented and under-interpreted that they leave a literary reputation much where it was. What they do is tell a good story.

Chesterton was born in London in 1874, in the same year as Winston Churchill; and by the first years of the century he was a prodigiously prolific journalist, scribbling books and articles in Fleet Street pubs, and one of the great controversialising quartet that included Belloc, Shaw and Wells. By 1914, barely 40, he was the author of what still look like notable books on Browning, Blake and Dickens, as well as a handful of remarkable surrealist novels and some detective stories about a Catholic priest called Father Brown.

The age that led down to the First World War seems to have demanded personalities which, like King Edward VII, were literally larger than life, and in Churchill and Chesterton it got them. Its taste was for excess. Nobody now would behave as outrageously in controversy as that Edwardian quartet.

But the difficulty with Chesterbelloc, as Shaw dubbed his two Catholic opponents, is not just that their conversion to Rome was accompanied by a virulent anti-semitism that practically anybody by now would find embarrassing. It is that it is so hard to see where, in their most earnest debates, the jokes end and the seriousness begins. They read now like captives to their own cleverness.

The quartet became a popular turn on public platforms as well as in print, and Chesterton seems to have spent half his life travelling to and from lecture-meetings, usually arriving dishevelled and late. The pamphlet war they maintained for decades. Right against Left, is not much read nowadays, and a lot of its humour looks as if it never outgrew the debating society at St Paul's School.

In a competitive journalistic age, admittedly, a prophet needs to shout at the top of his voice to be noticed at all. But he also needs to care about the truth, and Chesterton's cheerful mingling of Wildean paradox with dogmatic propaganda, like Shaw's, now looks hard to decipher. He is a comic master, and some of his lampooning of the Edwardian Tories can raise a guffaw. But though he would certainly have found the complaint priggish, it still has to be made: how much in his paradoxes does he want us to believe?

"It is amusing and therefore arresting," he remarks of a good quip. "It has a fine air of defiance: it contains a real romantic truth." Yes: but is a mere particle of truth, and that no more than a romantic one, really enough? Chesterton and Belloc were converts to a universal church. They were also passionately involved for a time in a party of government, the Edwardian Liberals, and with this cavalier attitude to factuality it is unsurprising if Belloc's time in the Commons proved disappointing or if Chesterton's own public campaigns came to little. Rhetoricians that they are, they never entirely convince that their rhetoric is anything more than that. And a prophet whose personal conviction is in doubt is oddly placed to convert others.

What emerges best from the new life is a large and ebullient personality which, though aboundingly confident before the world, was ill at ease with itself. Like his friend and adversary Shaw, he seems to have lived a celibate and unconsummated marriage, though one always based on a deep attachment. In fact, he delayed his formal conversion to Rome till 1922, out of an affectionate concern for his wife's opinion. Mr Ffinch hints at private phobias and hidden sensitivities masked by joviality and drink, but he is not much given to speculate or explore.

As the hind legs of the Chesterbelloc beast, it seems more than ever clear, Chesterton will not survive, and his controversies look unrevivable. His distributism, well intentioned as it was, has by now been replaced by more sophisticated notions of industrial co-ownership. His Zionism, a paradoxical outcome of his dislike for Jews, now looks merely quaint. And his passion for religious orthodoxy will look odd to an age where even bishops have doubts about the resurrection and virgin birth.

But he will live as a good writer who hardly seems even to want to be a great one, a platform personality before the era of TV who cared more about making an effect than being believed, and a strange, half-demented private being who could lose himself in his own bedroom and miss the train for his honeymoon.

Amis scores a hit

THE MORONIC INFERNO, AND OTHER VISITS TO AMERICA
by Martin Amis, Jonathan Cape, £9.95. 208 pages

EVERYTHING IS right about this book except the title. Martin Amis has borrowed the phrase from Saul Bellow at his Dean's December gloomiest and, out of context, it reads as if he were one of those tiresome Britishers who speak of the United States as if it were populated by sub-human Martians. Which of course he is not, being one of that rare breed who seem always to be able to strike a judicious balance between swoony adulation and creepy criticism.

Apart from this, my only carp is that the book ought to have been published earlier. It is five years since Amis published his article entitled The Killings in Atlanta in The Observer and the topic has gone cold. Even the Claus von Bülow story of three years ago has lost some of its zest.

Not so the pieces on the writers. Age cannot wither them. We have Saul Bellow twice ("Mm, give me a Sidney Sheldon or a Harold Robbins," says the lady at the Cultural Centre. "I don't want to be taxed too much"), Gore Vidal twice ("A cute little thing" is how he describes our Martin), and Truman Capote, Philip Roth, Diana Trilling, Norman Mailer, Joseph Heller, Kurt Vonnegut, Gloria Steinem, William Burroughs, John Updike, Joan Didion, Paul Theroux and Gay Talese just the once.

The Talese piece is an acerbic review of the author's voluminous exploration of "the social and sexual trends" of America and it makes one wish that Amis had made a selection of his really outstanding book reviews instead of including just the odd one or two for, as he himself points out in his introduction, book reviewing is harder to write than either fiction or journalism and constitutes "an art form (however minor)."

As it is, the only other book review per se is of Paul Theroux's Sunrise with Seamonsters which is no worse—but certainly no better—than any one of the dozens which have delighted our tired old eyes over the past few years.

The bulk of the book consists of in-depth articles on writers, some of them—as in the case of Joan Didion's The White Album—taking off from a particular publication but ranging in an authoritative manner over the whole of their work. It is noticeable that of 17 such pieces only three are on women (the other two are Gloria Steinem and Diana Trilling) and that on the whole they lack the cutting edge and mouth-watering bitchiness of the ones on the men.

Among the best are the two devoted to Gore Vidal and here one must admire Amis's terrier-like courage for Vidal is not a man lightly to be crossed.

Amis says not once but several times that Vidal is a better essayist than he is a novelist—the last thing that the Master ever wishes to hear. In fact, there seems to be a certain sense of identification since Amis lauds above all Vidal's superlative skill as a book-reviewer. The only thing he gets wrong again is the title: Unpatriotic Gore which, delightful pun though it may be on Edmund Wilson's Civil War collection, is an inaccurate assessment of Vidal's attitude to his country. Closer observation reveals that his criticism masks a patriotism sans pareil—but for his America, not theirs.

The rest of the articles in this always provocative book are on non-literary topics. They are—in addition to those on the Atlanta killings and von Bulow—devoted to Elvis Presley, Palm Beach, Brian de Palma, Ronald Reagan (very out of date this one), the New Evangelical Right, Vanity Fair, Steven Spielberg, Hugh Hefner and Aids. Of these, by far the most memorable is the one on Aids—the most level-headed and, up to 1985 at least, the most accurate account by a non-specialist to be found anywhere.

This is Amis at his best: superbly intelligent yet at the same time as instinctive as a sniffer-dog, completely unfazed by the opprobrium attached to the subject when he wrote the article. Give us more like this, Martin, for as you say of Gore, you are probably "too clever, really to be an effective novelist."


Martin Amis . . . always provocative

Geoffrey Moore

Fiction

Born of rejection

AN ACADEMIC QUESTION. by Barbara Pym. Macmillan, £9.95. 182 pages.
THE WOMEN OF GUINEA LANE. by Gabriel Fielding. Hutchinson. £9.95. 300 pages.
THE WELL. by Elizabeth Jolley. Viking. £9.95. 176 pages.
BEFORE THE COCK CROW. by Simon Raven. Muller, Blond and White. £9.95. 274 pages.
THE MADHOUSE. by Alexander Zinoviev. Translated from the Russian by Michael Kirkwood. Gollancz. £12.95. 411 pages.

THE LATE Barabara Pym, having written a number of novels which she herself as well as many of her readers felt were, whatever their other virtues, "too cosy," and having failed to find a publisher throughout the 1960s and most of the 1970s, received encouragement in 1977 when she was very properly named as a neglected novelist by both Lord David Cecil and Philip Larkin.

At her best, Pym was a keenly observant specialist in High Church and village comedy reminiscent of the early and still-neglected Angela Thirkell. But while the revival in her fortunes was salutary, it led her to try out over-ambitious themes and made her over-self-conscious: the most revaluations, this one was an over-estimation. To put it bluntly, Pym knew nothing about sexuality and, unlike Jane Austen, could not express that state of affairs in an interesting way.

In 1972, when at the height of her depression over being rejected by every publisher, Barabara Pym began this book, her "academic novel" as she called it. After a time she abandoned it. Her friend Hazel Holt has amalgamated the two drafts to restore the "Pym voice" as well as anyone could—and here it is.

The result is a series of exquisitely small observations strung together on a clumsy thread of a psychologically unconvincing story. It was abandoned by Pym for what became Quartet in Autumn, a superior book; but this one was well worth publishing, and everyone who likes Pym ought to have it. "The most underrated writer of the century," though? I doubt it. What about James Hanley, Ford, Robin Hyde—and so many others?

Pym just did not have the imagination or the art to write the novel she might have written about her own sense of disappointment: her plots are always obtrusively clumsy, and she strained after an understanding she did not have instead of writing about its bitter consequences.

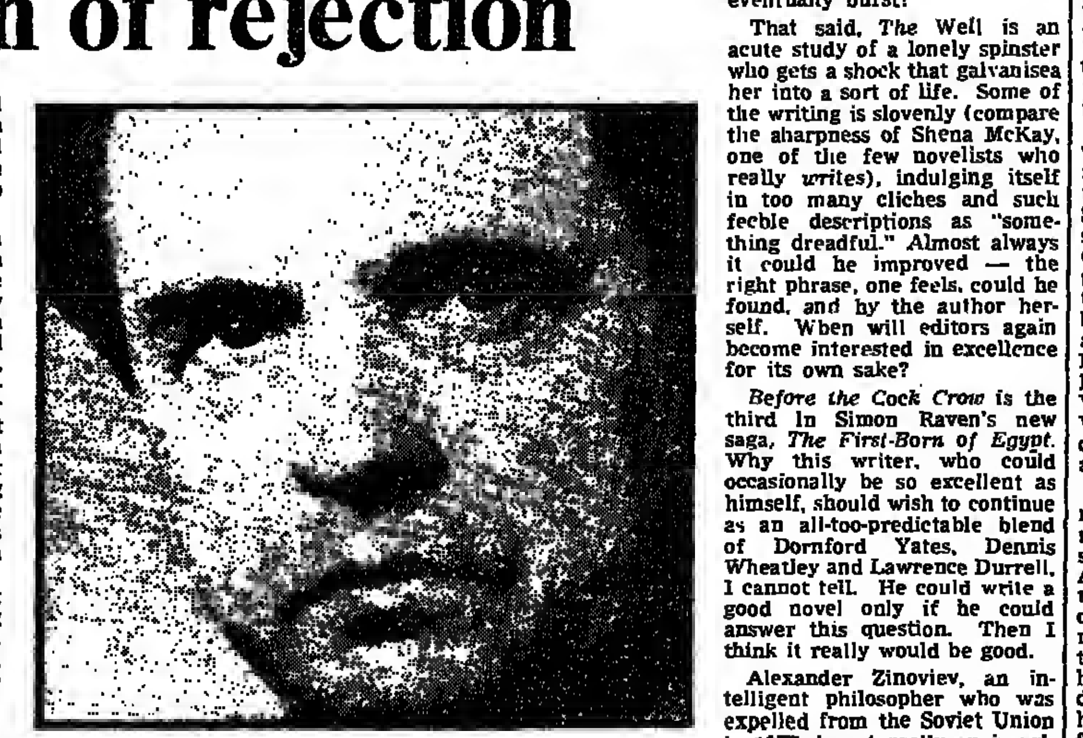
In The Women of Guinea Lane, Gabriel Fielding, for long one of our most capable Catholic novelists, has gone back to his young doctor John Blaydon—surrogate for himself. Blaydon is now at work as a junior doctor at Guinea Lane Hospital under the watchful eye of a woman doctor who is researching dying. This is capably written and informative, but might just as well have been composed as autobiography: there is nothing done here by the imagination and Blaydon's self-questionings are lubricated and mechanical. Good reading, then, but hardly fiction.

Elizabeth Jolley's new novel, The Well, comes to us accompanied by such an absurd amount of hype (she can change our inner lives, she resembles Patrick White — she doesn't at all except in as much as she is Australian — and more and worse gushings from Angela Carter and Susan Hill) that it is hard to see the wood for the meaningless trees. It is time that pseudo-critics saw that mindless and insincere superlatives are not encouraging or stimulating to modest talents who might otherwise go on to better things. Will the bubble eventually burst?

That said, The Well is an acute study of a lonely spinster who gets a shock that galvanises her into a sort of life. Some of the writing is slovenly (compare the sharpness of Shena McKay, one of the few novelists who really writes), indulging itself in too many cliches and such feeble descriptions as "something dreadful." Almost always it could be improved — the right phrase, one feels, could be found, and by the author herself. When will editors again become interested in excellence for its own sake?

Before the Cock Crow is the third in Simon Raven's new saga, The First-Born of Egypt. Why this writer, who could occasionally be so excellent as himself, should wish to continue as an all-too-predictable blend of Dornford Yates, Dennis Wheatley and Lawrence Durrell, I cannot tell. He could write a good novel only if he could answer this question. Then I think it really would be good.

Alexander Zinoviev, an intelligent philosopher who was expelled from the Soviet Union in 1977, is not really an imaginative writer, but has used the novel form to excellent effect — as in The Yawning Heights. In The Madhouse he shows us how a junior researcher is unable to conform (although he wishes to) because he is too individual and so is "removed." This is fine documentary, and points without hysteria to a terrible flaw in the communist system. Insofar as the reader does not wish for a real story, but rather to have his thirst for a valid denunciation of communism well satisfied, he will be pleased with this impeccable if now not unfamiliar record.


Alexander Zinoviev . . . a fine documentary

Martin Seymour-Smith

Historical tracks

THE RAILWAYS OF BRITAIN
by Jack Simmons. Macmillan £15.95. 256 pages

THIS IS a new edition of Jack Simmons' book, originally published in 1969. It is a serious historical and social study of railway history in Britain, but neither discouragingly academic nor excessively popular in tone. Every aspect of railway business is dealt with — planning the routes, laying the track, building the rolling-stock and the stations, training the crews.

It has been updated by the author, but not enough to put off those who retain an image of the railways in their pride. An occasional diesel or electric train, even an HST, crops up in the immense number of pictures.

We who live on today's system cannot always follow Professor Simmons's admiration. "The Modernisation Plan seems in retrospect to represent the most conspicuous achievement of the British Transport Commission in its direction of the railways," he writes; yet he includes a map showing, in black, the lines run in 1985, and, in white, the infinitely larger number run in 1914. He is a little brief in his eight lines on current Diesel locomotives. But there is a great deal that is both enjoyable and useful.

B. A. Young

Lighter reading

A HISTORY OF ILLUMINATED MANUSCRIPTS
by Christopher de Hamel
Phaidon, £25, 256 pages

THE MOST prolific relics of the medieval period are not the parish churches or the great cathedrals which dot western Europe but the illuminated manuscripts of the millenium up to 1500 which survive by the hundred thousand. Until now there had been no informed popular survey of the manuscripts: Mr de Hamel has made good the shortfall.

As head of western manuscripts at Sotheby's (and the man who disposed of the most expensive item of art ever to appear at auction, The Gospels of Henry the Lion, which sold for £8.14m in 1983) he handles more manuscripts in a year than any other expert. His book hardly touches on price (although a page from a 15th century Book of Hours can still be bought for less than £40). All de Hamel's drive and enthusiasm is directed at placing illuminated manuscripts in their historical context.

By devoting chapters to Books for Missionaries; Books for Emperors; Books for Students; Books for Everybody, etc., he is able to follow subjects through a long historical period. The expertise is worn lightly and what might seem a complex and mysterious subject becomes immediate. The lively conversational text acts as a counterpoint to the abundance of illustrations — 250 of them, of which 80 are in colour. Illuminated manuscripts are now an open book to all.

Antony Thorncroft

Financial Times Saturday July 26 1986

• ARTS •

The lost empire fights back

AS THE Birmingham Rep closed the other day for a brief summer break after a 44-week season, artistic director Clive Perry leapt cheerfully to the defence of Trevor Nunn and Sir Peter Hall, both titans recently bothered by a witch hunt over their private incomes in the subsidised sector.

"We need men of their calibre and ability and without them the British theatre would be in an even more parlous state. Unless there are some financial rewards, properly monitored and negotiated, our subsidised theatre won't attract the best brains and talent."

Clive Perry

Most directors, in fact, have provision in their contracts for outside work. That is how they meet other actors, experience other media and conditions, broaden their horizons. In Mr Perry's case, he can take two jobs a year away from running the country's largest repertory system outside London. These are not, as it happens, big musical jaunts. This year he is reviving his Harry Lauder show at the Edinburgh Festival (starring Jimmy Logan) and directing in Perth.

Mr Perry is a backbone of the British theatre. The Birmingham Rep is no joyride—a difficult fan-shaped auditorium housed in a gloomy concrete edifice in Broad Street, a benighted civic excrescence with few neighbouring signs of life. Most prominent, more a sign of death, is the "Hall of Memories." Yet for 10 years Mr Perry has battled away, fixing deals with commercial managements to keep the show on the road, encouraging new playwrights both on his large stage and in the studio, instigating a raucously publicised subscription scheme and generally beating the drum as a stalwart of the Arts Council Drama Panel.

It is the sort of brave heartlands operation too often forgotten in the brash, envious witterings of most theatre "news" stories. As Mr Perry says, he could be sitting in his Birmingham office all day, seven days a week, and you could still find someone to say he was falling down on the job.

At a reception to announce the autumn and spring seasons, Mr Perry paid tribute to the Birmingham City Council which matches the Arts Council grant to the theatre on a pound for pound basis. Each source currently supplies £475,000. But that income still has to be supplemented by associated productions and commercial exploitation. This is the theatre where the window cleaning bill is the price of a new show.

The new Rep opened in 1971 when capital costs were readily available even if the revenue consequences were hardly considered. Also, the repertory idealism of Sir Barry Jackson's day was not quite extinct. The world is a harsher place today, and only the National and the RSC can afford to sustain companies doing classic plays together over an extended period.

So the brave new world of great regional theatres proudly supported by the Arts Council and local communities has acquired a tatty, defeated image of a Lost Empire. The Royal Exchange in Manchester, the Bristol Old Vic, the Sheffield Crucible and the Leicester Haymarket alone fulfil the hopes once placed in the regions.

The rest struggle on with unambitious programmes because playing safe is thought to ensure survival at the Box Office, and the Arts Council has been critical in the past few years of theatres that are consistently less than half full.

In the Midlands, the Nottingham Playhouse is in the artistic doldrums; economic recovery is a first priority, necessary after a few disastrous years. At Leicester, the Haymarket enters a new phase after David Aukin's departure to the National (after a mere 18 months). No one theatre has wrested the initiative in the way Richard Eyre did at Nottingham in the mid 1970s.

Mr Perry may be about to profit from the dull looking competition at Nottingham and Leicester. He has introduced a new scheme to liven up his image: a permanent company of 11 young actors straight from drama school (531 applicants have been reduced to 66 before the final choice is made) each on a 35 week contract. In the studio theatre, this company will perform Ben Jonson, Edward Bond and a specially commissioned new play by Chris Hawes; in the main house, in September, they will take on Fay Weldon's new adaptation of *Jane Eyre*.

Timothy Spall and Allison Harding in Birmingham Rep's production of "Heavenly Bodies"

In its first year, this scheme was only moderately successful at the box office, but Mr Perry is surely right to persevere with it, and he strongly denies that he is hiring an ensemble on the cheap. Although his programme for the autumn may not be flagrantly exciting it does at least mix new writing with classic drama (the forthcoming Sir Kenneth Cork inquiry into the theatre will be commenting on the current dearth of Shakespeare, let alone Ibsen and Strindberg, in the regions).

From September, Birmingham audiences will be able to see the Royal Court's *Bacchae Project*, Warren Mitchell and Fenella Fielding in *The Miser*, *Peter Pan* (for Christmas), D. H. Lawrence's *The Daughter-in-Law*, *Julius Caesar* (with the Young Company), Peter Woodward's new Jack Buchanan revue and the Michael Frayn *Three Sisters*.

Birmingham is both very affluent and very hard up. If you do a play about the car industry, says Mr Perry, they stay away in droves. "People want escapist entertainment and I regret the top ticket price is as much as £6.90." Concessions for the unemployed are irrelevant: "The unemployed don't take part in anything, and your artistic liberal Royal Court sort of audience is in short supply in these parts."

This explains the dilemma for big regional theatres. You can only go so far to please the critics, who reasonably demand freshness and excitement when they leave London. At the end of the day, *Jane Eyre* is *Jane Eyre* and of no special theatrical significance whoever does the adaptation. The same was true of last year's *Pride and Prejudice*, adapted by David Pownall, which the Rep co-produced with the Leicester Haymarket. It was a thoroughly decent job of work but I doubt if it changed anybody's life, let alone the course of theatrical history. Critics expect such consequences every night of the year. Theatres hope first to fill their seats and second to be proud of their work. Pride and *Prejudice* was a superior middlebrow production that took £240,000 at the Old Vic box office during a six week London transfer and earned for the Rep a clear £20,000.

Mr Perry plans to stay at the Rep for two more years, to see in the 75th anniversary of Barry Jackson's pioneering operation in Station St. The new Rep has 900 seats, a stage 5 ft wider than Covent Garden and a reputation more worthy than incendiary. Running the place is an uphill struggle occasionally relieved by the visits of a management like Theatre Projects or Triumph Apollo, for whom the Rep will provide sets and costumes in exchange for a star name — O'Toole in *Man and Superman*, Ustinov in *Beethoven's Tenth*, Scofield in *I'm Not Rappoport* — and the concomitant box office windfall and London royalty.

These mixed-economy exercises compensate for the inevitable failure of new writing on the big stage: more recently Stewart Parker's *Heavenly Bodies* died the death in spite of respectful reviews; Peter Woodward's *Outside Broadcast*, just closed, played to under 40 per cent capacity.

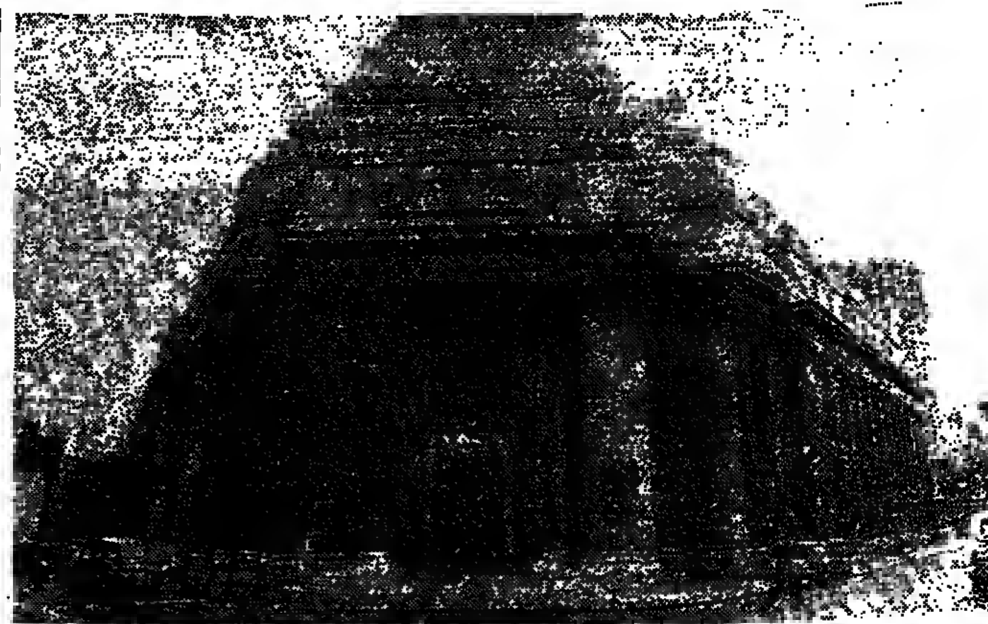
Mr Perry has run theatres in Edinburgh, Leicester, Derby and Farnham and can count among his directing protégés Richard Eyre and Bill Bryden (both in Edinburgh), Bill Pryde (now running the Cambridge Theatre Company with notable success) and, still associated at Birmingham, Peter Farago.

Without people like him, and their messianic enthusiasm for live theatre, our cultural landscape would be as bleak as the grey skyline in Broad Street. Just as the architect of the subsidised theatre revolution, Peter Hall, is pilloried in the press for making a few bob on the side, so regional directors like Mr Perry are still made to feel like apologetic paupers with something to prove.

The latest bout of ritual blood-letting only reveals that, deep down, we still distrust subsidy in the arts even though without it our entertainment industry would not be the envy of the world. And it seems still that we have far to go before the principle of subsidy is accepted *per se*, as it is in France and Germany.

This is why theatres like the Birmingham Rep must survive and prosper—a country reduced to two privileged subsidised monoliths in London for its theatrical reputation will be a country that has betrayed its artistic responsibilities, as well as the investment of the taxpayer.

Michael Coveney



Visitors welcome — Freemason's Hall in London's Great Queen Street

Apronstrings untied

THE WELCOMING aprons are on and the veil of the temple has been lifted at London's Freemasons' Hall. The United Grand Lodge of England has mounted a permanent exhibition of Masonic paraphernalia which aims to instruct the uninitiated in the history of the 'craft' of Freemasonry. A pamphlet of 1698 warned All Godly People in the City of London against these 'devilish Masters in Secret'; but these days at Freemasons' Hall, secrecy has gone out of the window.

The small exhibition traces the development of Freemasonry over the last 300 years, using documents, paintings, photographs, and ritual insignia. I suspect that for many people it will increase rather than satisfy their curiosity, since there is no attempt to review the lunatic theories about Freemasonry's origins nor the paranoid fantasies about its objectives.

With that reservation in mind, visitors can nonetheless inform themselves about the Old Charges, the rivalry with the Antients and how in 1813 the rift was healed by the Duke of Kent and his brother, the Duke of Sussex, and how under the next royal Grand Master, foundation stones of lodges were laid all across the Empire. It seems that Masonry in the past was a jolly, high-profile affair. There were portraits and sheet-music covers, the Masonic glee-songs and waltzes for Ladies' Festivals. Processions of Masons in their embroidered aprons were a common feature of urban life even into this century.

Charitable functions have always been a vital strand of Freemasonry, for Relief, with Brotherly Love and Truth, are the three guiding principles. A print vividly recalls the way in which our ancestors used to revel in their philanthropy. It shows the girls at the Masonic Girls School being paraded past their benefactors, bewigged and full-bellied after dinner.

Masonic symbolism was not only restricted to ritual objects used in the lodges, and in the 18th century pottery and glass manufacturers decorated their wares with the columns, compasses and ears of corn. After this exhibition I understand a crewel-work embroidery which recently puzzled me in an antique shop: it showed the Temple of Solomon, emblem of harmony and perfection, and central to the Masonic ritual.

More alluring than the exhibition is Freemasons' Hall, which nobody interested in inter-war architecture should miss. Tours of the building, which majestically covers a four-acre site in Great Queen Street, are conducted on the hour between 11 am and 4 pm. Freemasons' Hall was built as a memorial to the 6,000 Masons who fell in the Great War.

A competition for the architects was won by rank outsiders (but Brother Masons all the same) H. V. Ashley and Winton Newman. Their task was to replace the 18th-century Grand Lodge, found to be structurally unsound, and to provide 19 privat-lodge rooms, a museum and library, the Memorial Shrine and the Grand Temple.

The result is impressive, a building at once opulent yet discreet. Lashings of pale marble reflect blue and gold mosaics, surprisingly successful stained glass, and highly elaborate stucco ceilings. The effect is never subtle but it is solemn and impressive. The Grand Temple is approached through three vestibules of increasing splendour, before Brother Walter Gilbert's massive bronze doors. Each cast in one piece and weighing 1½ tons, they are awesome in execution, if repellent in design. One face is sub-Assyrian, with camels and slaves constructing Solomon's temple; the other is a torrent of mystical symbolism.

From the large dome of the Temple, Solomon and Hiram, the two great Architects, look down on seating for 17,000. Golden silk hangings, bronze screens and massive black marble porticoes, create an effect vaguely Egyptian and splendidly Hollywood. I was led on, through shimmering corridors, to the Indian Temple, one of the lodges which is a fantastic blend of Indian echoes. Even the coat-racks where Masons don their ceremonial costumes are massive. Do not miss your glimpse of the Temple, one of London's most under-rated buildings.

Patricia Morison

Records

Horowitz revisited

Horowitz: the Studio Recordings, New York 1985. DG 419-217.

Beethoven: Piano concertos 1 and 2. Philharmonia Orchestra, Martha Argerich / Giuseppe Sinopoli. DG 415-682.

Rakhmaninov: solo cello works, Lynn Harrell, Vladimir Ashkenazy. Decca 414-340.

I wrote in some detail about Horowitz's performance of Schumann's *Kreisleriana* at his Festival Hall recital last month; and it has been fascinating to be able to listen still more closely, and repeatedly, to the new studio recordings he had made of the same work six months previously in New York—on a disc which includes substantially the same programme as his recital.

I remarked then that I had never felt that Horowitz was entirely at his ease in the larger-scale Schumann works—or perhaps, more precisely, that I had never felt Schumann to be entirely at ease in Horowitz's *Kreisleriana*. And yet on closer acquaintance there is a consistency, and a concentrated energy, to Horowitz's view of the piece which is powerfully arresting.

It is a strange view, in which the lyrical quality of the music, and its inner colours and conversations, take precedence over all else—as eccentric maybe, but no less adventurous, and no less thrilling where it hits the mark exactly, as Cherkassky's famous "experiment" with the 24 Chopin Preludes, in which he treated the whole sequence as a breathtaking study in tiny gradations of triple-*pianissimo* dynamic. Real music-making is about change, and discovery, and adventure: and this is the new Schumannesque panorama, after a lifetime of having played *Kreisleriana* (as he now feels) "too fast," which Horowitz has discovered.

On the face of it, the opening of *Kreisleriana* is plain "wrong": the composer's instruction is *agitatissimo*, and Horowitz's delivery is the very reverse — calmly questioning, a delicate probe into the web of inner voices and textures that lie beneath (sometimes almost invisibly beneath) the music's surface. And this opening emphasis is sustained until the last. It is not that there is anything in the least febrile or limp-wristed in the playing: climaxes are exactly and firmly placed, and on the rare occasions he calls for them memorably. It is, rather, a masterly distillation, prepared under a virtuoso magnifying glass, of a single aspect of the many-sided Schumann: that intimate and enigmatic side, wistful, tender — the Schumann of the *farouche* shy smile, the sudden, unpredictable alternation of tears and laughter.

I still feel that the bright-eyed, windy music — the heady, sensuous Florestan, the grand reverse side of the Schumann coin — is arguably too convoluted, too self-regarding, to be exactly right; but even if the performance doesn't seem in every respect to be perfectly rounded (and which performance does?), it has a magic that grows with every hearing. Horowitz's pedalling in particular is a magnificent tour de force — of that composer who most rejoiced in, and virtually discovered, the Romantic sustaining pedal.

On the disc, in addition to the Skryabin D sharp minor Etude which we heard at the recital, and which has become almost as much of a Horowitz trademark as the Chopin A flat Polonaise was for Rubenstein, there is also the Schubert B flat Impromptu—a marvel of lyrical delicacy and fine dynamic shading — and another pair of Scarlatti sonatas, the early B minor (L.33), coupled with the later E major (L.224), a dazzling essay in romantic Baroque re-creation. Perhaps it's as well that at least some of the best of the live recital does not appear on the record: those two Chopin Mazurkas, the Schubert-Liszt *Soirée de Vienne*, and the three encores including Rakhmaninov's Polka, must remain only a cherished memory.

One of my favourite pianists playing Beethoven's first and second piano concertoes with one of my favourite orchestras, under one of my least favourite conductors: the combination promised at least to be an interesting one. In the event, it is Martha Argerich the pianist who carries the day with her unstoppable energy and sparkle, which she communicates to orchestra and conductor alike.

In the C major concerto No. 1, she mixes seriousness and vivaciousness in equal measures — the dramatic stance is at once grand and exciting. The lyrical flow of her slow-movement Largo — a wonderful melting cantabile — is exquisitiely effective, and affecting. The rhythmic bounce with which she sets alight her solo introduction to the finale establishes the tone for the bright, sure-fingered, radiantly sunny.

There is the same lyrical buoyancy and easy elegance to the first movement of her B flat concerto no. 2, and her slow movement here is spun out with unusually fine Romantic thread — really more a Chopinesque *Romance* than a Beethoven *Romanze*, but none the worse for that, conceived with the greatest tact and delicacy. The orchestral sound is warm, close, lushly recorded: attractive — though it's a pity perhaps that no greater attempt was made to achieve an earlier and more Classical balance of timbres.

Lynn Harrell's and Vladimir Ashkenazy's recital brings together on a single disc all of the music which Rakhmaninov wrote for solo cello. His only large-scale cello work is the G minor sonata op.19, composed in 1901—a time of renewed confidence, after the hostile critical reception given to his first symphony four years earlier, which saw the birth in rapid succession not only of the cello sonata but also the second piano concerto, the love-duet from *Francesca da Rimini*, the second suite for two pianos, the Chopin Variations, and the Preludes op.23 for piano.

The cello sonata is a substantial work in four movements, more than half an hour long, full of splendid tunes, and scored with great sensitivity for an instrument for which (on the evidence of his orchestral scores) Rakhmaninov had special affection: the work is dedicated to his close friend, the cellist Anatoly Brandukov. Harrell digs into the climaxes with relish; the andante's glorious melody in particular, tentatively introduced by the piano, is borne up on wings (and carried down again to the resonant depths) with splendid fire.

Rakhmaninov also composed a number of shorter cello pieces — among them the *Two Pieces* op.2, written in the 1890s for Bradukov while both were still students: a *Romance* (the earliest piece of the collection) which was the fruit of a love-affair at the age of 17 with a cello-playing cousin; and a *Mélodie* for the cellist Modest Altschuler. Lynn Harrell also includes as a *bonne bouche* his own arrangement of Rakhmaninov's *Vocalise* (much loved by cellists and often arranged, notably by Brandukov in the 1920s, and more recently by Leonard Rose). Ashkenazy is Harrell's exemplary partner, never retiring, never obtrusive.

Dominic Gill

Theatre

Aled Jones and Ian Gelder in "Now We Are Sixty" at the Arts Theatre, Cambridge

Now We Are Sixty

Gyles Gyles
Brandreth Brandreth
Said to himself, said he:
"Let's do a musical chase-away-blues ikkle summery show so twee."
Gyles Gyles
Brandreth Brandreth
Asked himself what to do.
And then exclaimed: "*My* dear!
"I've just had an idea!
"Let's do the creator of Pooh!"
For Alan Alexander Milne
wrote more than just Pooh, you see;
And dramatised jokes from Edwardian Punch will fill their hearts with glee.

James James
Roose-EvansRoose-Evans
Directed the sven parts;
And took actors down to Cambridge Town for *Now We are Sixty* (the Arts).
But pre-Great War Punch was no funnier then than today in Cambridge Town.
And the Arts Theatre
Cried "What's the matter?"
And wore a great big frown.

An hour and three-quarters into the show
Young Aled Jones sounded sweet
In his evening prayer, with his floppy hair,
And the audience stopped shuffling its feet.

The cast (poor dears!)
With Rosalind Airs
Has talent enough, it's plain.
Sarah Crowden has more
And tries not to bore
As she sparklea with might and main.
Ian Geller's AA
Tries to salvage the day
In critical Cambridge Town;
But one asks why *is* he
With his diction so prissy
Imitating Alec McCowen?

Gyles Gyles should have known better
James James, so should be.
You won't go down to Cambridge Town
If you take a tip from me.

Martin Hoyle

Radio

Applied science

THE ROLE of scientists in India is unlikely to be high on the list of everyone's deepest interests but Colin Tudge, in *Genics from Ancient Fields*, assembled a fascinating programme (Radio 3, Sunday). Feeding 750 million people calls for more than five loaves and two fishes, so science and technology in India are directed to supporting a scattered and under-advantaged population for whom not only food but water, electricity, goods of all kinds, means of communication and social participation must be provided.

The programme, the first of two, called on a number of Indian scientists who told a lot that must have come as a surprise to many, not least, the fact that India produces more science graduates than any nation but the US and the Soviet Union.

That is one kind of documentary. *A Gentleman's Place* (Radio 4, also Sunday) was another. It purported to be about London West End clubs. Glyn Worsnip apologised for having been unable to visit White's, Boodle's or Brooks's, but said nothing about not visiting the Garrick, the Savile, the Travellers, the Athenaeum, the Reform, the Rag, or the Army and Navy.

Of the half-dozen clubs he dealt with, two are not in the West End and one is for ladies, even when spiced with half a dozen funny stories, it seems a pity to have gone ahead with the project.

Radio 4's Sunday "classic serial," billed as a New Series each time it comes up at three-or-four-weekly intervals, is Kipling's *The Light that Failed*, adapted in three parts by Frederick Bradnum. To my ears, those rather unattractive characters Dick Heldar, Torpenhow and Maisie have come out too charming. Steve Hodson, Stuart Organ and Natasha Pyne, who play them, sound too nice. Hodson is even nice in the nasty scene where he bullies the elderly syndicate director. Graham Gault is the (not elderly) play director.

More dramatic ambiguity in Carol Ann Duffy's *Loss* (Radio 3, Tuesday). For 30 minutes a heartbroken widow, played ably by Barbara Leigh Hunt, rages over her gin about the loss of her husband until she imagines she can hear his voice, his footsteps, and the accident in which he died. But what a horrible woman! Selfish and ill-tempered, she wants only the gratification her husband's presence brought her.

If (as I half thought) the climatic accident happened to her, not retrospectively to him, I can only say she deserved it. Kay Patrick directed.

B. A. Young

هكذا من الأصل

WEEKEND FT

SPORT

Racing

That Shergar feeling

by Michael Thompson-Noel

DANCING BRAVE is the bigger of the two, at 1,075 lbs, versus Shahrastani's 950 lbs. But at £16m versus £14m, Shahrastani is more valuable. For lovers of the pocket calculator, therefore, to-day's big race at Ascot—the King George VI and Queen Elizabeth II Diamond Stakes—will pitch one great racehorse, Shahrastani, worth £16,842 per pound, into epic combat with a rival, worth £13,023 per pound, in what promises to be one of the most engrossing mile-and-a-half confrontations seen on any British racecourse for more than a decade.

In truth, neither the calculator nor the cash register—nor even the stopwatch—can begin to indicate what is at stake at Ascot today. To do that, one has to struggle with the vocabulary of legends and dreams and vaulting ambition, which is seldom profitable, and usually a mug's game.

Instead, it is easier to view to-day's great race through the eyes of Prince Karim Aga Khan, owner of one of the turf's greatest empires, whose hope is that Shahrastani will confirm himself as virtually the equal of Shergar, also owned by the Aga, Shergar having been kidnapped (and presumably slaughtered) by the IRA in Ireland in February 1983.

Even before his death, Shergar was a legend, being ranked by those who know as among the finest thoroughbred racers ever.

To date, Shahrastani is undefeated as a three-year-old, having won the Guardian Classic Trial at a mile-and-a-quarter, the Dante Stakes (1¼m), and the Epsom and Irish Derbys (both at 1½m). His greatest rival, Dancing Brave, has won the 2000 Guineas, at a mile, and the Eclipse Stakes (1¼m), his only defeat, by half a length at Epsom, being inflicted by Shahrastani.

Today's big question, then, is whether the blistering speed merchant, Dancing Brave, was unlucky not to have caught the middle-distance specialist, Shahrastani, at Epsom, and whether he can reverse the Epsom placings in what promises to be a memorably exciting finale over Ascot's short finishing straight.

The tipsters—those hapless souls who trudge and toil in the vale of prophecy—are massing solidly behind Shahrastani. "Shahrastani's Irish Derby clock was ace," says one, in racespeak. A second: "Shahrastani's win at the Curragh was a performance to compare with Shergar, Sea Bird, or even his own sire, Nijinsky," while a third speaks of the Derby winner's "awesome authority."

His trainer Michael Stoute—appointed when the Aga decided to re-establish his family's fortunes in English racing in 1978—was cagey after Epsom, saying that Shahrastani was a fine colt and had won on merit, but was "no Shergar." This was understandable. One of the reasons the Aga appointed Stoute was that Stoute doesn't over-estimate the ability of his charges, an important consideration for an owner with such extensive breeding interests as the Aga.

Yet three weeks later, after Shahrastani's shatteringly fine win in the Irish Derby, Stoute was nudged to the view that Shahrastani was a champion who "must be looked at in the same class as Shergar."

Further evidence was volunteered by jockey Walter Swinburn, who said that when Shahrastani won in Ireland, "he gave me the old Shergar feeling all over again." As for the Aga, he rates himself a very lucky man to have had two such horses in such a brief space of time. "Shergar, of course, won both English and Irish Derbys and the King George. If Shahrastani can emulate him he will certainly be worthy of comparison."

The King George, which is the summer equivalent of the Prix de l'Arc de Triomphe, is a vital stage in the sealing of reputations at the highest level. Win or lose, Shahrastani is eventually destined for a life of lusty fulfilment at The Three Chimneys Stud, Kentucky. The only blot on today's horizon is a hurtling projectile named Dancing Brave.

Shahrastani pips Dancing Brave at Epsom

Cricket

The great loner

THIS WEEK'S announcement of an injury to Geoffrey Boycott may have marked the end of one of the most controversial careers in a sport renowned for awkward characters. At first sight, it is hard to imagine what could have made this slim, balding introvert a subject for newspaper headlines. Unlike Botham, crowds seldom flocked to see Boycott play. No-one has ever alleged that Boycott has taken drugs, romped with beauty queens, or even been merely drunk and disorderly. On the other hand, Boycott emerged triumphant from a battle with his county's establishment when many before him had been bloodily defeated.

In statistical terms, Boycott must rank as one of the greatest batsmen ever. In all, he scored 151 centuries, the fifth highest total. He had the highest Test aggregate (8,114) of any England batsman and the second highest of any Test player. Twice, he averaged over 100 in a full cricket season. In all, he had an average of 56.85.

Those runs were accumulated with the help of a defence so technically correct that it broke the heart of many a county bowler. If Botham seems to view each ball as a chance to scatter the spectators with some massive hit, Boycott regarded each delivery as a potential bomb. Only after the new ball had seen the shine taken off would Boycott begin to open up with a nudge here and a push there. Gradually, the shots would unfurl. The square drive was a particular favourite, as was the on-drive—the stroke which brought him his hundredth hundred in the 1977 Headingley Test against Australia.

The solidity of that defence made Boycott one of the best bad-wicket players in the game—a traditional yardstick of a batsman's greatness. But it also made Boycott a slow scorer, and sometimes painfully so. In 1967 he made 246 not out against India and was promptly dropped for slow scoring.

That sacking did nothing to lessen Boycott's suspicion of the game's establishment. As the son of a miner, Boycott knew hardship as a child, and his youthful ability at cricket was a passport to a better life. He practised hard and long to seize his chance. But the single-mindedness he needed to hone his game made him an unpopular loner in the teams he played in.

The Yorkshire team Boycott joined in the early 1960s had more than their fair share of colourful characters. Brian Close, sacked after winning six

Boycott . . . never one of the lads

out of seven Test matches as England captain, would later be dismissed by Yorkshire and end his career with Somerset. Ray Illingworth was another successful England captain, but not until he joined Leicestershire. And there was Freddie Trueman, a veteran of many clashes with both the Yorkshire and England establishments.

Boycott was never one of the lads, never able to laugh at his troubles over a pint. When he began to develop an unfortunate reputation for running his partners out, it never became an affectionate eccentricity as it did with Denis Compton. Instead, it caused muttered resentment in the dressing-room. "This man," it came to be said, "plays for himself and not for the team."

As the years went by, every incident involving Boycott was eagerly seized on by his detractors. The bat-throwing when he was run out in Australia; the hook shot which cost him his wicket against the West Indies off the last ball of the day. The more the critics moaned, the further Boycott withdrew into his shell. Eventually, in 1974, after a run of bad form, he opted out of the England Test team for three years.

His return was the stuff of Boy's Own Paper. At Trent Bridge, he ran out the local hero, Derek Randall, and redeemed himself only by scoring a century. In the Headingley Test, on his home ground, he not only scored his hundredth hundred in a Test (the first time this had ever been done) but scored it against Australia, England's oldest rivals.

One prize seemed to elude him—the England captaincy. Twice in the early 70s, he lost the post to unlikely candidates, the Scotsman Denness and the South African Greig. At last, in 1977-8, he had his chance when Brearley broke his arm but the experience was unhappy as he led the team to England's first ever defeat against New Zealand.

In late 1978, his world was shattered. In the space of four weeks he was dropped from the vice-captaincy of England, saw his mother die, and was sacked as captain of Yorkshire.

Many a previous Yorkshire hero had left the club in similar circumstances. But Boycott had the last laugh. A group of Yorkshire members, known as the Reform group, began to campaign against the committee and five years later, duly captured control of the county, with Boycott himself returned as member for Wakefield.

Boycott has been blamed for many things, notably for the decline in Yorkshire cricket. The charge is ridiculous. Yorkshire have done no better since he was sacked as captain, nor did they shine on days when he was absent injured or playing for England. A much more plausible reason for Yorkshire's bad run is that, denied the overseas imports on which other counties rely, they have been unable to build a bowling attack capable of consistently troubling other sides.

Nor is it fair to blame Boycott for all dressing room dissension. As far back as 1958, Johnny Wardle was summarily sacked by Yorkshire and neither Close nor Illingworth's departures can be blamed on "Sir" Geoffrey.

After all the arguments and all the controversy, cricket lovers may remember the times when they switched on their televisions or radios to hear news of England's latest collapse. If Boycott was still in, there was hope. Of whom can that be said today?

Philip Coggan

Boxing

Brooo-No . . . he's gone

ASHTRAYS £6, sweatshirts £12, teeshirts—"Know what I mean, Harry?"—£8. "It's the first time we've done full scale merchandising here at Wembley Stadium," said David Feiierman, managing director of Arena International Licensing Services, which also provided a well-designed, comprehensive souvenir programme, £3.

Inside, in the calm blue evening, serious men in sports slacks chatted to policemen. Hammering came from the ring—a birthday cake space squared off by red, white and blue ropes, its red and white awning rimmed with arc lights—as television camera teams consolidated their positions in readiness for the heavyweight clash in which Tim Witherspoon of the US, boffed Britain's Frank Bruno in no uncertain style.

Last Saturday's Bruno-Witherspoon clash was, in effect, less of a championship than a heat—a rite of passage in an international effort to mend schisms of theological and financial interest. The World Boxing Association heavyweight holder, Tim Witherspoon, will meet the World Boxing Council title-holder, Trevor Berbick of Canada, for the right to challenge the winner of the International Boxing Federation championship, Mike Spinks of the US. The intention is that, in time, an IBF title holder will win ecumenical acceptance as pope in the heavyweight ring.

As the curtain-raising bouts succeeded one another on Saturday, each turning the ratchet of excitement up another notch, searchlights reminiscent of 20th Century Fox movie openings swooped across stands whose orchestrated trumpetings and roars of "Brooo-No! Brooo-No!" on either side of the arena might have been mastodon calling to mastodon across primeval swamp.

The jingoistic jeers seemed good-natured enough at first. The arrival of Muhammad Ali brought cheers, though nothing like the storm of affection which greeted little Barry McGuigan. But as the two enormous young men came into the arena, each dressed like a gaudy penitent in scarlet robe with hood pulled well forward, each encapsulated, along the length of red matting, by an enveloping haze of dust, lights, handheld cameras and overlapping police uniforms, a deeper, angrier note began to dominate, boos doing battle against Witherspoon's arrival fanfare.

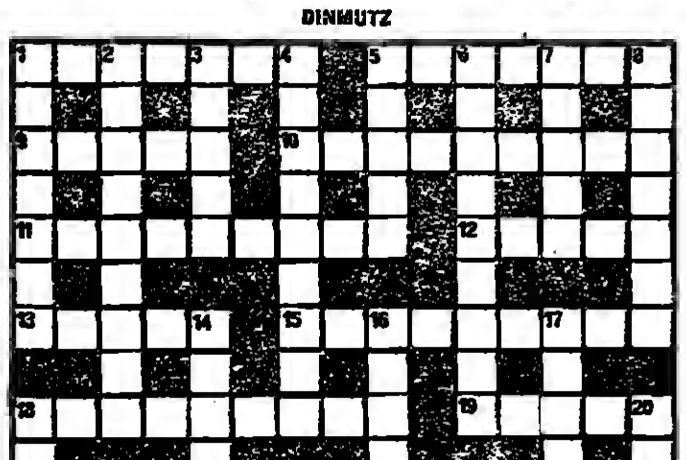
The UK national anthem, sung with fervour in several tempos like a kind of Queen-in-the-round, was overtaken by a Star Spangled Banner played with verve and confidence by a band attacked by noise powerful enough to lift the dark floor of night over Wembley. Ten rounds of boxing—and booing—later, an expressionless man wearing a bright blue jerkin with "E Gersh All Stars" painted in gold across the back, took off his sunglasses and announced to his immediate vicinity: "I'm 64 years old. I was here in London 40 years ago, going overseas, and I didn't like the way they booed the Americans and all that stuff. I'm 64 years old and I still don't like it."

Half a round later there was a huge gasp and a distant cry of "He's gone!" as if someone had gone under for the third time. Most of the crowd turned immediately for home, their own faces expressionless, streaming away towards the exits like refugees fleeing a city. A little later, a few chairs were flung around, and a few arrests made, but it was nothing of significance.

Gay Firth

FT CROSSWORD PUZZLE No. 6083

DINMUTZ



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

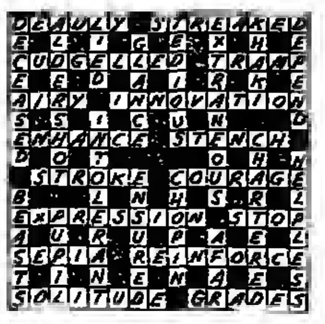
ACROSS

1 In tears, perhaps, from Greek wine (7)
5 As old as Iago? (7)
9 Timekeeper I would follow when retiring (5)
10 Make up lies and stuff at tea-break (9)
11 The mountain snowdrop (9)
12 Teams from the borders (5)
13 Dip makes this paperback go quickly inside (5)
15 I receive terrible misnomer in baptism (9)
18 In a trance, Tom takes a pick-me-up (9)
19 Sort of hoard for a girl (5)
21 Halter? Permanently! (5)
23 Battle in a spirit bar (9)
25 Bird for picnickers? (9)
26 Disembarkation without ambitions? Only this captain remains (5)
27 Remainder to live round the bend (7)
28 Good-length deliveries, not necessary from county sides (7)

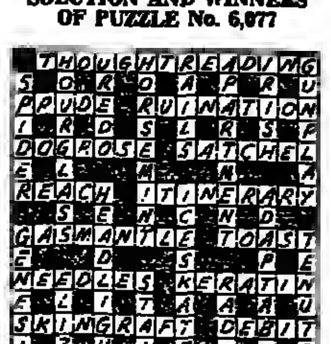
DOWN

1 Pull in and reverse (7)
2 A striking bar counter? (9)
3 End of hooked passage (5)
4 Goodwill for malady? (8)
5 Cumbrian town has no side—walk here (5)
6 Fellow-underwriter to make money safer (9)
7 Antelope to make dash by day (5)
8 Crime of corrupt senator (7)
14 Pater almost dead, perhaps, and dim-witted (3-6)
16 Plant card on eastern lines (9)
17 Turn a clue into implant? (9)
18 Fir once chopped down is still one (7)
20 Candid predicament for gal-
22 Sets of 28 etc by 12? (5)
23 Stone is on the way up north (5)
24 Raced around tree in Lebanon? (5)

Solution to Puzzle No. 6,082



SOLUTION AND WINNERS OF PUZZLE No. 6,077



Miss J. Devonshire, Browthorne, Berkshire; Mr J. C. Marsden, Tunbridge Wells, Kent; Mr J. K. Hamilton, Retford, Notts; Dr C. Shute, Kidderminster, Worce-

TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

8.35 am The Flintstones. 9.00 Grand-[illegible]

[illegible] Brookside Omnibus. 2.00 Right to Reply. 5.30 Tour de France. 7.00 News and Weather, followed by The Sons of Abraham. 7.30 The Curative Treatment. [illegible]

BBC 2 [illegible]

LONDON [illegible]

CHANNEL 4 [illegible]

S4C WALES [illegible]

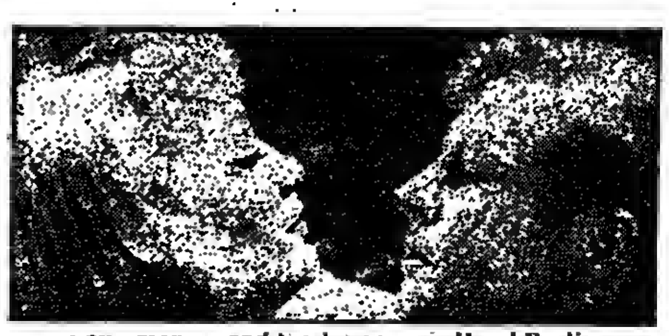
IBA regions as London except at the following times:

ANGLIA [illegible]

BORDER [illegible]

CENTRAL [illegible]

CHANNEL [illegible]



Ray Emerson and Kurt Kreuger, Hotel Berlin. Channel 4, 2 pm

GRAMPIAN [illegible]

GRANADA [illegible]

HTV [illegible]

SCOTTISH [illegible]

TSW [illegible]

TVS [illegible]

TYNE TEES [illegible]

ULSTER

11.58 am Ulster News. 5.03 pm Ulster News. 9.12 Ulster News and Weather. 11.55 Sports Results. 12.00 Guess [illegible]

YORKSHIRE [illegible]

BBC RADIO 2 [illegible]

BBC RADIO 3 [illegible]

BBC RADIO 4 [illegible]

SUNDAY

† Indicates programme in black and white

BBC 1 [illegible]

BBC 2 [illegible]

LONDON [illegible]

CHANNEL 4 [illegible]

S4C WALES [illegible]

IBA regions as London except at the following times:

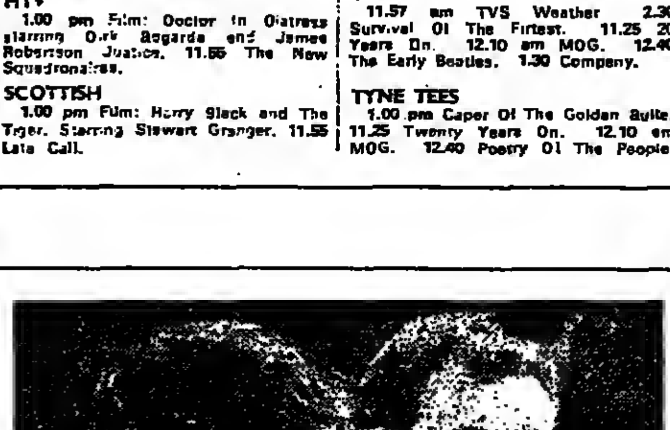
ANGLIA [illegible]

BORDER [illegible]

CENTRAL [illegible]

CHANNEL [illegible]

GRAMPIAN [illegible]



This is History Gran, BBC1, 9 pm

GRANADA [illegible]

HTV [illegible]

SCOTTISH [illegible]

TSW [illegible]

TVS [illegible]

ULSTER [illegible]

YORKSHIRE [illegible] Morley, Edward G. Robinson and Harry Secombe. 5.00 The Campbells. 5.30 Look At Me. 6.00 Albion Market. 11.45 Insight. 12.15 am Five Minutes.

BBC RADIO 2

(s) Stereo on VHF

7.30 am Roger Royle (s). 8.05 Melodies For You (s). 11.00 Desmond Carrington (s). 2.00 pm Commonwealth Games. 8.00 Vernon and Maryetta Midgley. 8.30 Sunday Half-Hour. 9.00 Your Hundred Best Tunes. 10.05 Songs From The Shows. 10.30 The Gospel Truth. 11.00 Sounds Of The Jazz. 1.00 am Jean Challis (s). 3.00 A Little Night Music (s).

BBC RADIO 3

7.00 am News. 7.05 Vivaldi's Venice (S). 8.00 Pierre Fournier: Beethoven and Dvorak (S). 9.00 News. 9.05 Your Concert Choice: Respighi, Webern, Mahler, Bach, Stravinsky; records (S). 10.45 Prom Talk (S). 11.15 Baritone and Piano—John Shirley-Quirk sings Finzi, Ivan Erod and Ravel (S). 12.20 pm BBC Welsh Symphony Orchestra—Britten (Four Sea Interludes), Mendelssohn (Violin Concerto, with Mark Kaplan); Schubert (Symphony No 9) (S). 2.15 Spiritual Laments—Brahms, Tunder and Weckmann (S). 2.50 Wellfisch/Weinberg Trio—Debussy, [illegible]

BBC RADIO 4 [illegible] day. 8.50 Deryck Guyler on the week's good cause. 8.55 Weather; Travel. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America. 9.30 Morning Service. 10.15 The Archers. 11.15 Pick of the Week (S). 12.15 pm Desert Island Discs: Roger Vadim (S). 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 Gardeners' Question Time. 2.30 The Afternoon Play: "A Kind of Hallowe'en" by Gerry Jones (S). 3.20 More for Love than Money. 3.30 A Splendid Disguise (S). 4.00 The Other Orient Express. 4.30 The Natural History Programme. 5.00 News; Travel. 5.05 Down Your Way. 6.00 News. 6.15 Weekend Woman's Hour. 7.00 The Light That Failed (S). 8.00 A Good Read. 8.30 Music Makers (S). 9.00 A Word In Edgeways. 9.30 Law in Action. 10.00 News. 10.15 The Sunday Feature: Wild Justice (S). 11.00 Seeds of Faith (S). 11.15 In Committee. 12.00 News; Weather. 12.33 am Shipping Forecast.

Solution to Chess No. 630

1 K-R1, BxP! 2 PxB (2 QxB, R-Q8 ch mates). R(Q7)xP! 3 NxR, R-KN6! when White can [illegible]

London Stock Exchange Report Page.

هكذا من الأصل